

# **Cricket South Africa**

## **Final Report: Forensic investigation into various allegations within Cricket South Africa**

**31 July 2020**



**FUNDUDZI**

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## **ROLE PLAYERS**

<b>Name</b>	<b>Description</b>
Adams	Russell Adams: Head of Events, CSA
Appiah	Naasei Appiah: Chief Operations Officer, CSA
Becker	David Becker: Managing Partner, Becker and Associates Attorneys
Breetzke	Andrew Breetzke: Chief Executive Officer, SACA
Da Cruz	Sharla Da Cruz: Events Officer, CSA
Dien	Nabeal Dien, CEO, WPCA
Eksteen	Clive Eksteen: Former Head: Sales and Sponsor Relations Management, CSA

Name	Description
Faul	Jacques Faul: Acting Chief Executive Officer, CSA
Gaofetoge	Koketso Gaofetoge: Content Manager, CSA
Govender	Kugandrie Govender: Chief Commercial Officer, CSA
Gubevu	Musa Gubevu: Transformation Manager, CSA
Gwaza	Welsh Gwaza: Company Secretary, CSA
Irish	Tony Irish: Past Chief Executive Officer, SACA
Jordaan	Maxwell Jordaan: Transformation and Member Relations Executive, CSA
Kandan	Ruweida Kandan: Financial Administrator, CSA
Khan	Iqbal Khan: Former CSA Board Member
Kock	Nicolas Kock: President, WPCA and Member of Members Council
Krishnakumar	Meera Krishnakumar: GSC Official
Madiseng	Jack Madiseng: Former President, Central Gauteng Lions, Former Member of Member's Council and Former CSA Board Member
Maja	Lundi Maja: Former Procurement Manager, CSA
Manning	Paul Manning: Associate General Counsel and Vice-President, IMG Sports
Moon	Chantel Moon: HR Consultant, CSA
Moroe	Thabang Moroe: CSA CEO
Moseki	Pholetsu Moseki: CFO, CSA
Mota	Martin Mota: Partner, Mota Attorneys
Mthembu	Thamsanqa Mthembu: Head, Media and Communications, CSA
Nenzani	Chris Nenzani: CSA President and Chairman of CSA Board
Nkuta	Ziyanda Nkuta: Former Finance Manager, CSA
Nolan	Dalene Nola: Financial Administrator, CSA
Odendaal	Andre Odendaal: Administrator WPCA
Owen-Smith	Michael Owen-Smith: Executive Consultant, CSA
Pailwan	Shahnaaz Pailwan: Commercial Officer, CSA
Pheko	Louisa Pheko: Committees Assistant, CSA
Pretorius	Archie Pretorius: Administrator, NWC

<b>Name</b>	<b>Description</b>
Ramela	Omphile Ramela: President, SACA
Raymer	Des Raymer: EduDev (Pty) Ltd
Richardson	Dave Richardson: Chairman, CSA Domestic Structures Cricket Steering Group
Schoeman	Marius Schoeman: Chairman, CSA AuditCom
Smith	Ameena Smith: WPCA, Company Secretary
Srinivasan	Muralidharan Srinivasan: CE, GSC
Tshotwana	Unathi Tshotwana: Consultant - Government Relations and Infrastructure Executive Consultant, CSA
Van Rensburg	Christelle Van Rensburg: Finance Manager, CSA
Van Zyl	Corrie Van Zyl: Head of Cricket Pathways
Williams	Beresford Williams: Vice President, CSA and CSA Board Member
Zinn	Shirley Zinn: Former CSA Board Member

**TERMINOLOGY**

<b>Terminology used:</b>	
AuditCom	Audit & Risk Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CoSec	Company Secretary
CSA	Cricket South Africa
ICC	International Cricket Council
FinCom	Finance & Commercial Committee
GSC	Global Sports Commerce

<b>Terminology used:</b>	
MC	Members Council
WPCA	Western Province Cricket Association
NSP	National Selection Panel
NWC	North West Cricket
NCG	Newlands Cricket Ground
SACA	South African Cricket Association
SAPCT	South African Professional Cricketers Trust
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
SANEF	South African National Editors Forum
MSL	Mzansi Super League

<b>Entities</b>	
Tinanati	Tinanati Management and Consulting (Pty) Ltd, a private company with registration number 2015/265682/07
PropCo	WPCA Property Holdings, a private company with registration number 2018/017551/07
CPUT	Cape Peninsula University of Technology
ADvTECH	ADvTECH Group
Megaview	Megaview Displays, a division of PRIMEDIA (Pty) Ltd with registration number 2005/044403/07
Megapro	Megapro Holdings (Pty) Ltd with registration number 1996/002761/07
CSA	Cricket South Africa NPC, with registration number 2002/002614/08
GSC	Global Sports Commerce PTE LTD with registration number 201534599G
Sanlam	Sanlam Life Insurance Ltd

## EXHIBIT LIST

1.	Thabang Moroe's Notice of Suspension dated 24 January 2019
2.	Email dated 20 November 2019 from Moroe to Govender
3.	Mthembu's affidavit 05 June 2020
4.	Series of emails provided to us by Mthembu regarding negative reporting
5.	Koketso Gaofetoge's statement
6.	Email from Mthembu to Amos Senwamadi dated 28 April 2020 relating to CSA WhatsApp group chat
7.	Moroe's letter of apology to SANEF
8.	Media statement dated 3 December 2019
9.	Standard Bank letter 2 December 2019
10.	Standard bank media statement 3 December 2019
11.	Email dated 3 December 2019 from Pooe to Moroe and Kugandrie
12.	Momentum statement 12 December 2019
13.	Email dated 12 February 2019 from Emile Dreyer and SACA invoice
14.	Email dated 24 April 2018 from Breetzke to Van Zyl
15.	Email dated 3 May 2019 from Appiah to CSA Exco
16.	Email dated 27 May 2019 from Breetzke to Van Zyl
17.	Email dated 3 June 2019 from Breetzke to Van Zyl
18.	Email dated 6 June 2019 from van Zyl to Breetzke copied Appiah, Moroe and Eksteen
19.	Email dated 16 October 2019 from Irish to Eksteen copied Moroe, Breetzke and Bryge Watchipa
20.	Email dated 17 October 2019 from Irish to Eksteen
21.	Email dated 22 October 2019 from Moon to Moroe, Eksteen and Van Zyl
22.	Email dated 23 October 2019 from Irish to Moroe and Eksteen
23.	SACA media statement dated 23 October 2019
24.	Minutes of Members Council meeting 2 November 2019
25.	Letter from SACA to Moroe dated 24 February 2019

26.	Email from Nkuta to Khan copied Moroe and Appiah dated 25 February 2019
27.	Letter from Irish to Nenzani dated 27 March 2019
28.	Email from Nenzani to Moroe, Khan, Appiah and Nkuta
29.	Email from Nkuta to Gwaza and Govender dated 10 April 2019
30.	Email from Moroe to Ramela copied Nenzani and Williams
31.	Email from Ramela to Moroe, Nenzani, Williams and Irish dated 10 April 2019
32.	Letter from SACA to Nenzani, Moroe and other dated 20 November 2019
33.	Letter from Nenzani to Irish dated 20 November 2019
34.	Letter from Irish to Nenzani dated 22 November 2019
35.	Email dated 26 October 2018 from Appiah to Nolan copied Moroe and Nkuta
36.	Agreement between CSA and Tinanati-Management and Consulting dated 20 March 2019
37.	Tinanati-Management and Consulting Invoices
38.	Iqbal Khan Resignation letter dated 4 December 2019
39.	Minutes of Board of Directors dated 7 March 2019
40.	Email dated 23 July 2019 from Welsh Gwaza to Nabeal Dien
41.	Letter dated 6 September 2019
42.	Minutes of the Board of Directors 5 September 2019
43.	Email dated 6 September 2019 from EduDev to Welsh, Moseki, Appiah, Williams and Moroe
44.	Minutes of the Board dated 6 September 2019
45.	Email dated 6 September 2019 from Nicolas Kock to Khan and Williams
46.	Email dated 6 September 2019 from Nicolas Kock to Gwaza and Smith
47.	Email dated 9 September 2019 from Nicolas K to Nenzani, Smith and Moroe
48.	Email dated 9 September 2019 from Ameena Smith forwarded to various individuals including board members
49.	Letter dated 20 September 2019 from Moroe to Nicolas Kock
50.	Letter dated 5 December 2018 from Nenzani to Madiseng



51.	Email dated 18 September 2018, from Manning to Moroe, Appiah and Eksteen
52.	Proposal from GSC dated 31 January 2019
53.	Minutes of meeting held in Dubai, from 26 to 27 February 2019
54.	Email dated 10 May 2019, from Appiah to Khan, Williams, Carolissen and CSA officials
55.	Email dated 14 May 2019, from Appiah to Nenzani
56.	Minutes of Board meeting of 17 May 2019
57.	Minutes of FinCom meeting of 12 July 2019
58.	Email dated 15 July 2019, from Khan to Nkuta
59.	Email dated 19 July 2019, from Nkuta to Appiah
60.	Email dated 19 July 2019, from Appiah to Manning
61.	Email dated 20 July 2019, from Appiah to Nkuta
62.	Email dated 21 July 2019, from Gwaza to Appiah and Nkuta
63.	Round Robin Resolution submitted to Board meeting of 1 August 2019
64.	Email dated 1 August 2019, from Madiseng to Khan and Moroe
65.	Email dated 19 August 2019, from Williams to Khan and Madiseng
66.	Email dated 22 August 2019, from Dalene to Khan
67.	Email dated 29 August 2019, from Gwaza to Appiah
68.	Email dated 29 October 2019, from Appiah to Gwaza
69.	Minutes of FinCom meeting held on 20 November 2019
70.	Email dated 28 November 2019, from Gwaza to Pheko
71.	Request for proposal for the provision of production services to CSA in respect of the Mzansi Super League for a period of 4 years
72.	Email dated 7 May 2019, from Appiah to Srinivasan
73.	Price Quotation for RFP for Production service
74.	Email dated 25 June 2019, from Appiah to Maja
75.	Email dated 28 July 2019, from Appiah to Becker
76.	Email dated 25 November 2019, from Khan to CSA Board
77.	Settlement offer from GSC to CSA
78.	Notice to staff dated 12 November 2019, from Moroe

79.	Credit Card claim relating to transaction of R 27 000 and R 900
80.	Credit Card Claim relating to transaction of R 28 000 and R 22 080
81.	Credit card transaction of R 28 039.50
82.	Credit card claim relating to transaction of R 30 000 and R 10 000
83.	Credit card claim relating to transaction of R 10 000
84.	Job specifications and requirements for the HR Manager Position at the time
85.	Minutes of RemCo meeting of 27 November 2014
86.	Email 12 December 2017 from Moon to Gubevu and Faith Xaba
87.	Letter dated 5 November 2019 confirming Gubevu's transfer from HR to the Transformation department
88.	Gubevu's performance review score cards for the period April 2016 to April 2019
89.	Email dated 12 November 2019 from Moroe to CSA staff members and Board
90.	Email dated 14 November 2019 from Zinn to Moroe
91.	SLA between CSA and People Link
92.	People Link's company profile
93.	Payments to People Link

## 1. EXECUTIVE SUMMARY

### 1.1. BACKGROUND

CSA appointed Fundudzi Forensic Services ("Fundudzi") to conduct investigations into allegations relating to the Chief Executive Officer, Thabang Moroe ("Moroe"). Our appointment followed the suspension of Moroe on 6 December 2019, subsequent to revocation of media accreditation of five journalists. In his letter of suspension, CSA Chairman and President of the Members Council, Chris Nenzani ("Nenzani") indicated that the charges largely related to the revocation of media accreditation as well as lack

of oversight and related matters.

CSA also required Fundudzi to investigate a broad range of governance related matters.

When reading this report, it must be noted that we have not been able to consult with Moroe and Appiah.

## 1.2. SUMMARY OF FINDINGS

Based on the review of documentation and consultations with various role players, we summarize our findings as follows:

### 1.2.1. ALLEGATIONS OF REVOCATION OF MEDIA ACCREDITATION

1.2.1.1. The Media and Communications Department approved media accreditation for the following five journalists in October/ November 2019:

- Firdose Moonda;
- Ken Borland;
- Neil Manthorp;
- Stuart Hess; and
- Telford Vice.

1.2.1.2. Mthembu and Gaofetoge revoked accreditation of the above-mentioned five journalists on 25 November 2019 upon instructions from Moroe.

1.2.1.3. In revoking media accreditation of the five journalists, Moroe failed to promote and protect the interests, activities and welfare of CSA in contravention of clause 4.1 of his contract of employment.

1.2.1.4. Moroe failed to act in the best interest of CSA in contravention of section 76(3)(b) of the Companies Act in that he revoked or caused to be revoked media accreditation of the five journalists, which conduct resulted in sponsors raising serious concerns and reservations.

1.2.1.5. Gaofetoge requested Daryl Baruffol to inform the respective cricket ground managers of the revocation of the media accreditation of the five journalists.

1.2.1.6. Gaofetoge reinstated the accreditation of the five journalists on 2 December 2019, following media onslaught and concerns raised on social media.

1.2.1.7. Various sponsors, including Standard Bank, Momentum, Sunfoil, KFC raised

their dissatisfaction about the manner in which CSA handled the revocation of media accreditation of the five journalists.

- 1.2.1.8. The revocation of the journalist's media accreditation denigrated or harmed the public image (reputation) of Cricket or CSA in contravention of clause 2.1 of the CSA's Code of Conduct.
- 1.2.1.9. The revocation of the journalist's media accreditation brought CSA's name into disrepute with various sponsors expressing their concerns about developments at CSA.
- 1.2.1.10. The revocation of media accreditation was not sanctioned by the Board nor was it discussed at Board level prior to its implementation.

## 1.2.2. **RELATIONSHIP WITH SACA**

- 1.2.2.1. CSA entered into a Commercial Agreement in November 2018 with SACA for the players payments in respect of 2018 MSL.
- 1.2.2.2. The agreement was signed by Moroe and witnessed by Appiah on 21 November 2018.
- 1.2.2.3. Payment to SACA was to be made by end of the edition i.e. December 2018.
- 1.2.2.4. SACA provided an invoice in the amount of R2 763 635,54 (incl. VAT) to CSA on 12 February 2019.
- 1.2.2.5. The following EXCO members were copied on internal emails regarding the non-payment of the SACA invoice as early as May 2019:
  - Moroe;
  - Moseki;
  - Gwaza;
  - Van Zyl; and
  - Eksteen.
- 1.2.2.6. In May 2019, Van Zyl informed Moroe of the non-payment of the SACA invoice.
- 1.2.2.7. On 16 October 2019, Irish wrote to Moroe indicating that he had not received any response regarding the unpaid SACA invoice.
- 1.2.2.8. On 16 October 2019, Moroe indicated to CSA officials that he was not aware

of the unpaid SACA invoice as this was never reported to EXCO.

- 1.2.2.9. Moroe failed to ensure that SACA's invoice was paid timeously.
- 1.2.2.10. SACA declared a dispute and issued a media statement due to the non-payment of the invoice by CSA.
- 1.2.2.11. CSA could have prevented the SACA media statement if CSA was responsive and decisive in dealing with the unpaid invoice.
- 1.2.2.12. It took CSA over ten (10) months to pay SACA invoice.
- 1.2.2.13. CSA suffered reputational damage as SACA released a media statement relating to the non-payment of the invoice.
- 1.2.2.14. SACA's invoice remained unpaid until 31 October 2019.
- 1.2.2.15. CSA and SACA reached an agreement to reduce the amount of R2 763 635.54 (incl. VAT) to R2 300 000.00 (incl. VAT).
- 1.2.2.16. CSA paid SACA R2 300 000.00 on 31 October 2019 in respect of the 2018 MSL Players' Rights.

### 1.2.3. **APPOINTMENT OF TINANATI - MANAGEMENT AND CONSULTING**

- 1.2.3.1. CSA entered into an agreement with Tinanati for the development and execution of Public Sector Stakeholder Strategy, including securing revenue agreements.
- 1.2.3.2. The Public Sector Stakeholder Strategy was a new permanent position on the Organisational Structure approved by the Board.
- 1.2.3.3. The appointment of Tinanati to render services relating to Public Sector Stakeholder Strategy should have followed a tender process as per the policy.
- 1.2.3.4. The agreement was signed on 20 March 2019 by Appiah on behalf of CSA.
- 1.2.3.5. Tinanati commenced invoicing CSA for services allegedly rendered in September 2018, long before an agreement could be finalised.
- 1.2.3.6. There is no evidence that a procurement process was followed in the appointment of Tinanati.
- 1.2.3.7. There is no evidence that a deviation process was followed in the appointment of Tinanati.
- 1.2.3.8. The agreement was not reviewed bi-annually as provided for in the

agreement.

1.2.3.9. Tinanati was required to provide revenue agreements in terms of which CSA would derive a net financial benefit of at least R30 million bi-annually.

1.2.3.10. There is no evidence that CSA reviewed the performance of Tinanati as per the agreement.

1.2.3.11. Moroe caused CSA to pay Tinanati R3 490 036.92 without following procurement processes.

#### 1.2.4. **STEP-IN RIGHTS AT WPCA AND NWC**

##### 1.2.4.1. **Purchasing and Renovation of the NCG**

1.2.4.1.1. WPCA purchased NCG from WPCC in 2002.

1.2.4.1.2. In 2019 WPCA partnered with Sanlam in a new office-block development estimated to be in the region of R800 million; and

1.2.4.1.3. WPCA Board appointed EduDev (Pty) Ltd (“EduDev”), represented by EduDev’s Managing Director, Des Raymer, to be their partner in the development of NCG.

##### 1.2.4.2. **Appointment of Stefanutti Stocks**

1.2.4.2.1. WPCA registered WPCA Property Company (Pty) Ltd (“PropCo”) to be utilised as a vehicle for the construction work at the NCG.

1.2.4.2.2. Sanlam and PropCo held 51% and 49% shares of the NCG project respectively.

1.2.4.2.3. WPCA and CSA held 76% and 24% shares in PropCo respectively.

1.2.4.2.4. WPCA took a decision to go out on tender; resulting in the appointment of Stefanutti Stocks to provide construction and renovation work at the NCG.

##### 1.2.4.3. **Loans Advance to WPCA by CSA for NCG Renovations**

1.2.4.3.1. WPCA approached CSA and applied for three loans to the value of R87.6 million for NCG Renovations, broken down as follows:

1.2.4.3.1.1. R5 million on 11 April 2019;

1.2.4.3.1.2. R48.9 million in terms of an agreement dated 28 May 2019; and

1.2.4.3.1.3. R33.7 million under an agreement dated 6 August 2019.

**1.2.4.4. Suspension of construction work by Stefanutti Stocks**

1.2.4.4.1. During August and September 2019, WPCA failed to honour its payment arrangement with Stefanutti Stocks resulting in the latter issuing a suspension notice to stop construction work at NCG.

1.2.4.4.2. WPCA paid R698,484.00 to Stefanutti Stocks on 6 September 2019 and approached CSA to advance a further loan of approximately R7.5 million, which was not granted by CSA;

1.2.4.4.3. Kock notified Gwaza on 6 September 2019 that a payment of R698,484.00 had been made and that Stefanutti Stocks had undertaken to continue with the construction project at NCG.

**1.2.4.5. CSA exercises step-in rights on WPCA**

1.2.4.5.1. CSA's Board meeting of 6 September 2019 and 7 September 2019 took a decision to exercise its step-in rights on WPCA following various financial concerns relating to the management of the NCG construction project.

1.2.4.5.2. The Board meeting of 6 September 2019 took a preliminary in-principle decision that, given the state of the WPCA at the time, it had to exercise its step-in rights over WPCA subject to management presenting further on the specific issues related to the conduct of the WPCA.

1.2.4.5.3. The CSA Board of 6 September 2019 resolved to request management to consider the Board's request regarding the conduct of the WPCA, specifically on the question of the exercise of the step-in rights and subsequently advise the Board once all the issues had been considered.

1.2.4.5.4. The main triggers discussed in the CSA Board meeting of 6 September 2019 and 7 September 2019 were the signing of the lease agreement with CPUT and the withdrawal from the project by Stefanutti Stocks.

1.2.4.5.5. The signing of the lease agreement with CPUT and the suspension letter from Stefanutti Stocks were so crucial that Zinn, Khan,

Cornelius and Nenzani indicated that the Board would not have exercised its step-in rights had they been informed that the two triggers were complied with.

1.2.4.5.6. The CSA Board meeting of 7 September 2019 included other considerations in addition to the signing of the lease agreement and the suspension of construction works by Stefanutti Stocks.

1.2.4.5.7. The said other considerations were the following:

1.2.4.5.7.1. The threat to cricket as posed by the manner in which the WPCA had conducted its business without taking due consideration of the impact of such decisions;

1.2.4.5.7.2. Lack of proper accounting records for the NCG stadium development project;

1.2.4.5.7.3. Failure of the WPCA and its subsidiary, WPCA PropCo to submit VAT reclaims timeously;

1.2.4.5.7.4. Certain persons on the WPCA Board negotiating and concluding certain agreements/arrangements on behalf of WPCA and PropCo with third parties apparently without the mandate or authority to do so from either WPCA or PropCo;

1.2.4.5.7.5. WPCA's inability to conclude its year-end statutory audits for reasons which have not been provided, such that the WPCA AGM had to be postponed, then adjourned due the auditors not having issued an audit opinion;

1.2.4.5.7.6. Potential breach of certain agreements related to the project including the loan agreement entered into with CSA as a result of alleged misappropriation of funds; and

1.2.4.5.7.7. Lack of relevant expertise within WPCA and its subsidiary to provide the requisite support for certain areas of both the WPCA and the PropCo's business.

1.2.4.5.8. The CSA Board of 7 September 2019, instructed Management to



exercise step-in rights over WPCA with immediate effect.

1.2.4.5.9. Management failed to exercise step-in rights with immediate effect as they only informed WPCA of the decision to step-in on 21 September 2019 (14 days later) in a letter dated 20 September 2019.

1.2.4.5.10. Management compromised the step-in right process by taking 14 days to implement the decision of 7 September 2019.

1.2.4.5.11. Moroe, as the CEO and Prescribed Officer in terms of Section 66 of the Companies Act represented Management and should have therefore taken the lead in ensuring that the Board's directive was implemented without delay.

#### **1.2.4.6. Signing of the CPUT Lease Agreement**

1.2.4.6.1. The signing of the CPUT lease agreement was one of the triggers that led to CSA exercising step-in rights on WPCA.

1.2.4.6.2. Had ADvTECH and CPUT failed to sign the lease agreement, Sanlam and Standard Bank would have withdrawn from the project resulting in the project collapsing.

1.2.4.6.3. On 6 September 2019, Gwaza informed the Board the CPUT lease agreement was approved by the Minister but it had to be presented to the Vice Chancellor for his signature.

1.2.4.6.4. Moroe was notified by Kock on 9 September 2019 that the CPUT lease agreement was signed on the same day.

1.2.4.6.5. Moroe failed to inform the CSA Board of the change in the trigger that CPUT lease agreement had been signed.

#### **1.2.4.7. CSA notifies WPCA of Step-in**

1.2.4.7.1. CSA Board's decision to exercise its step-in rights over WPCA was taken on 7 September 2019; CSA Management took 13 days to appoint an Administrator for the exercising of CSA step-in rights on WPCA regardless of the Board's instruction the step-in rights be exercised with immediate effect.

1.2.4.7.2. CSA Management took 14 day to notify WPCA of the CSA Board decision to exercise its step-in rights.

1.2.4.7.3. There is no indication that CSA Management afforded WPCA an

opportunity to address the concerns that led to CSA Board taking a decision to exercise its step-in rights.

- 1.2.4.7.4. The decision of the CSA Board to exercise its step-in rights was based on the failure of WPCA to sign the lease agreement with CPUT as well as the failure of WPCA to pay Stefanutti Socks, resulting in the construction company issuing a letter of notice of suspension of construction work at NCG.
- 1.2.4.7.5. The signing of the CPUT lease agreement and the withdrawal of the letter of notice of suspension of work by Stefanutti Stocks were the two main triggers that, if complied with, the CSA Board would not have exercised the step-in rights.
- 1.2.4.7.6. In notifying WPCA of CSA's decision to exercise its step-in rights in his letter of 20 September 2019, Moroe only listed the items reflected as "other considerations" in the minutes of 7 September 2019.
- 1.2.4.7.7. Moroe did not refer to the two main triggers *i.e.* signing of the CPUT lease agreement and the withdrawal of the notice of suspension of construction works by Stefanutti Stocks.
- 1.2.4.7.8. Moroe and CSA Management failed to comply with clause 12.4.2 of the MOI which required that the Board shall as soon as possible after determining that action is required to be taken by the Company as contemplated in clause 12.4.1, notify the Affiliate Member or Associate Member in writing thereof.
- 1.2.4.7.9. Moroe and Gwaza failed to inform the Board about the signing of the CPUT lease and the withdrawal of the suspension letter by Stefanutti stocks.
- 1.2.4.7.10. Despite not being a director of CSA, Moroe is a prescribed officer in terms of section 66 of the Companies Act as he exercises general executive control over and management of the whole, or a significant portion, of the business and activities of CSA, regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of CSA.

- 1.2.4.7.11. As the Prescribed Officer, Moroe contravened section 76(2) in that he failed to act in good faith and for a proper purpose and in the best interests of the company by withholding information relating to the signing of the lease agreement as well as the withdrawal of the suspension letter by Stefanutti Stocks.
- 1.2.4.7.12. Arbitrator awarded costs against CSA amounting to R725 227.00 for the costs incurred by WPCA in respect of the arbitration.

#### 1.2.5. **STEP-IN RIGHTS AT NWC**

- 1.2.5.1.1. CSA Board exercised its step-in rights on 5 December 2018, following allegations of misappropriation of funds that were disbursed to NWC for the stadium upgrades.
- 1.2.5.1.2. The CSA Board mandated Moroe and Management to exercise the step-in rights on NWC.
- 1.2.5.1.3. One of the reasons CSA decided to exercise step-in rights was failure by NWC to keep and provide audited financial statements to CSA for two financial years.
- 1.2.5.1.4. Moroe and Nkuta failed to ensure that NWC kept and submitted audited financial statements for the two-year period that the said financial statements were not kept.
- 1.2.5.1.5. The step-in rights period was for six months or such period as the NWC affairs would have been brought to acceptable standards.
- 1.2.5.1.6. The step-in period has gone beyond the step-in period of 6 months approved by the Board and is now on 18 months.
- 1.2.5.1.7. Moroe and the CSA Management failed to seek approval from the Board to extend the Administrators term.
- 1.2.5.1.8. The costs incurred beyond the initial six-month approved period, were not approved by the Board.
- 1.2.5.1.9. The extension should have been brought to the CSA Board for approval as it *inter alia* carried financial obligations to CSA.

#### 1.2.6. **GSC FRAMEWORK AGREEMENT**

- 1.2.6.1. In August 2019, CSA entered into a Media and Commercial Rights Framework Agreement (“Framework Agreement”) with Global Sports Commerce PTE

Ltd (“GSC”).

- 1.2.6.2. Prior to the conclusion of the Framework Agreement, Manning of IMG issued an opinion to CSA relating to the proposal from GSC.
- 1.2.6.3. The opinion was sent to Eksteen, Moroe and Appiah on 18 September 2018.
- 1.2.6.4. Manning highlighted various material risks in respect of the GSC proposal and recommended that CSA conducts a detailed due diligence prior to the conclusion of the agreement.
- 1.2.6.5. Moroe and Appiah failed to share Manning’s email and concerns relating to the GSC proposal with the Board and FinCom prior to the conclusion of the Framework Agreement.
- 1.2.6.6. IMG did not provide a due diligence report but merely made recommendations to CSA to *inter alia* conduct due diligence and obtain a bank guarantee from GSC given the significance of their proposed financial commitment, and the rights that CSA would be granting.
- 1.2.6.7. The Board and FinCom, were informed by Management (particularly Appiah) that a due diligence report was conducted on GSC.
- 1.2.6.8. The Due Diligence report was not presented to the Board and FinCom despite the Board’s various requests to Management to do so.
- 1.2.6.9. Moroe was copied in all email communication relating to the due diligence and attended all FinCom and Board meetings wherein the Committee and the Board continuously requested Management to submit the due diligence conducted on GSC.
- 1.2.6.10. Moroe failed to show leadership as he did not appear to have taken an active role and ensured that the due diligence was conducted and presented to FinCom and the Board.
- 1.2.6.11. Moroe, Appiah, Gwaza had various opportunities to inform FinCom and the Board that the due diligence on GSC was not conducted, however they continued to promise FinCom and Board that the due diligence would be presented.
- 1.2.6.12. Moroe and Appiah failed to ensure that a due diligence was conducted on GSC.
- 1.2.6.13. Material risks identified by IMG in respect of GSC proposal were realized,

which included GSC's failure to deliver a bank guarantee and non-payment of the License Fees by GSC as per the Framework Agreement.

- 1.2.6.14. CSA, and in particular Moroe failed to ensure that the bank guarantee from GSC was secured as per the Framework Agreement.
- 1.2.6.15. Failure by CSA to obtain a bank guarantee from GSC indicates a lack or absence of effective internal controls.
- 1.2.6.16. FinCom recommended the approval of the GSC proposal subject to a due diligence report being made available by Management.
- 1.2.6.17. Khan confirmed that FinCom was put under pressure by Management to recommend to the Board to approve GSC's proposal without the due diligence as the 2019 MSL season was a few months away.
- 1.2.6.18. Khan indicated that had FinCom been made aware that there was no Due Diligence on GSC, they would not have recommended to the Board to approve GSC's proposal.
- 1.2.6.19. The Board was not provided with, and did not consider a due diligence report prior to the approval of the agreement with GSC.
- 1.2.6.20. The Board of Directors approved the Framework Agreement without the due diligence report.
- 1.2.6.21. The email from Manning was only provided to FinCom after the Framework Agreement was already concluded.
- 1.2.6.22. Any due diligence performed at this stage would not have benefitted the CSA as the agreement had already been concluded.
- 1.2.6.23. On 29 May 2020, GSC made a final settlement offer of \$1 163 793 million in respect of the 2019 MSL.
- 1.2.6.24. CSA accepted the settlement offer of \$1 163 793 on 5 June 2020.
- 1.2.6.25. The settlement offer of \$1 163 793 would be paid in three instalments commencing on 22 June 2020. The last instalment is payable on 28 August 2020.
- 1.2.6.26. The settlement offer of \$1 163 793 will result in losses of R12 370 691,00 for the 2019 MSL season.
- 1.2.6.27. Should GSC fail to honor the terms of the settlement offer, CSA will lose at

least R27 500 000.00 in respect of the 2019 MSL Season.

- 1.2.6.28. Moroe contravened Section 76(3)(a) of the Companies Act in that he failed to act in good faith and for a proper purpose in that he did not inform FinCom and the Board that the due diligence on GSC was not conducted.
- 1.2.6.29. Moroe contravened Section 76(3)(b) of the Companies Act in that he failed to act in the best interest of CSA by not ensuring that due diligence was conducted and Bank Guarantee was obtained
- 1.2.6.30. Moroe contravened Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to CSA in that he failed to:
  - 1.2.6.30.1. To show leadership by ensuring that the risk identified by Manning were properly addressed.
  - 1.2.6.30.2. Ensure that FinCom and Board's instructions were complied with in relation to the provision of due diligence report.
  - 1.2.6.30.3. Ensure that FinCom and Board take decisions based on properly presented and complete information.
  - 1.2.6.30.4. Ensure that CSA does not suffer losses or potential losses flowing from GSC's failure to fulfil its obligations in instances where bank guarantee was not obtained.

#### 1.2.7. **PRODUCTION AGREEMENT BETWEEN CSA AND GSC**

- 1.2.7.1. In 2018, CSA and GSC entered into a Production Agreement for the production of audio-visual coverage and delivery of other production services in respect of the 2018 MSL.
- 1.2.7.2. The 2018 Production Agreement between CSA and GSC was only for one edition/year, being the 2018 MSL.
- 1.2.7.3. In 2019, CSA issued an RFP for production of audio-visual coverage and delivery of other production services in respect of the 2019 to 2022 MSL.
- 1.2.7.4. CSA included a clause in the RFP notifying bidders that the organization had an agreement with a third party in terms of which such a third party had a right to match any proposal which attained the highest score.
- 1.2.7.5. The 2018 Production Agreement between CSA and GSC did not include a

matching clause as purported in the 2019 RFP for Production Services.

- 1.2.7.6. Moroe was aware or ought to have been aware that the RFP for Production Services included a matching rights clause as the RFP was sent to him by Appiah and Becker.
- 1.2.7.7. Moroe was aware or ought to have known that the 2018 Production Agreement between CSA and GSC did not include any matching rights clause.
- 1.2.7.8. Moroe offered and or accepted of R30 million from GSC for the Production Services before the finalization of the RFP process.
- 1.2.7.9. The offer of R30 million to GSC was not in accordance with the Procurement Policies and Procedures in that it negated the tender process that was being followed to appoint a company to render Production Services.
- 1.2.7.10. Moroe failed to identify that the process followed in the appointment of GSC in respect of the Production was unfair and not in accordance with the Procurement Policy and Procedure.
- 1.2.7.11. Moroe failed to ensure that the appointment of GSC in respect of Production Services was approved by FinCom in terms of delegation of authority contained Procurement Policy and Procedures.
- 1.2.7.12. The appointment of GSC outside the RFP processes and based on non-existent clause posed a risk of litigation by the unsuccessful bidders as well reputational damage.
- 1.2.7.13. Moroe contravened section 76(3)(b) of the Companies Act in that the appointment of GSC was not in the best interest of CSA.
- 1.2.7.14. Moroe failed to exercise due care, skill and diligence in finalizing the appointment of GSC in contravention of Section 76(3)(c) of the Companies Act in that he ought to have identified the risk of possible litigation against CSA by unsuccessful bidders.
- 1.2.7.15. CSA afford GSC an unfair advantage to conclude a production agreement with CSA without participating in the RFP.
- 1.2.7.16. CSA had no intention of awarding the RFP for Production Services to the service providers that responded to the RFP as GSC had indicated in the proposal submitted in January 2019 that they wanted to be awarded the production agreement as part of the commercial and media rights agreement

with CSA.

1.2.7.17. There is no evidence that a tender committee in terms of clauses 3.4.1 and 3.4.2 of the SCM policy was set up to evaluate proposals received in respect of RFP for Production Services in 2019.

1.2.7.18. There is no evidence that the RFP for Production Services was evaluated in terms of the criteria set out in the RFP.

1.2.7.19. There is no record of an evaluation report or process followed by CSA in the evaluation of proposals submitted in respect of the RFP for Production Services.

1.2.7.20. The production costs agreed upon with GSC was R23.5 million. There is no evidence that the tender was approved by a Tender Committee and ratified by FinCom as provided for in paragraph 3.4.1 of the SCM policy.

1.2.7.21. The delay in the signing of the Production Agreement was caused by GSC.

**1.2.8. LOANS TO AFFILIATES**

1.2.8.1. CSA approved and advanced various loans to its Affiliates. The tables below reflect outstanding balance as at 29 February 2020:

<b>Affiliate Members</b>	<b>Original loan</b>	<b>Repayments</b>	<b>Balance</b>
Boland cricket	R 30,499,999.85	R 0.00	R 30,499,999.85
Border Cricket	R 3,046,419.04	R 0.00	R 3,046,419.04
Eastern Cricket Union	R 19,500,000.00	R 0.00	R 19,500,000.00
Eastern Province Cricket	R 42,136,976.00	R 2,560,445.00	R 39,576,531.00
Free State Cricket Union	R 10,464,782.00	R 0.00	R 10,464,782.00
Gauteng Cricket Board	R 11,084,500.00	R 2,315,545.00	R 8,768,955.00
KZN Cricket Union	R 9,422,765.14	R 0.00	R 9,422,765.14



Northern Cape Cricket Union	R 1,513,442.65	R 0.00	R 1,513,442.65
Northerns Cricket Union	R 12,635,500.00	R 2,560,000.00	R 10,075,500.00
North West Cricket Union	R 7,100,000.00	R 0.00	R 7,100,000.00
Western Province Cricket Union	R 21,576,801.55	R 2,560,445.00	R 19,016,356.55
<b>Total as at 29 February 2020</b>	<b>R168,981,186.23</b>	<b>R9,996,435.00</b>	<b>R158,984,751.23</b>

#### NCG Development loans to WPCA

Affiliate Member	Original loan	Repayments	Balance
Western Province Cricket Loan	R 82,598,454.00	R 33,698,454.00	R 48,900,000.00

#### Soft loans to Eastern Province Cricket

Affiliate Member	Original loan	Repayments	Balance
Eastern Province Cricket	R 3,469,900.00	R 2,418,900.00	R 1,051,000.00

- 1.2.8.2. As reflected in the tables above, most Affiliates failed to repay the loans as per the agreed terms.
- 1.2.8.3. CSA did not follow the Financial Assistance Policy in approving loans to Affiliates.
- 1.2.8.4. Despite instruction from the CSA Board to Management to collect the outstanding loan repayments from the Affiliates, Management has failed to do so.
- 1.2.8.5. Objectivity in the CSA Board in making decisions relating to the Affiliates may

be compromised based on its composition and inclusion of Presidents of the various Affiliate Members who also sit in the Members Council.

**1.2.9. EFFECTIVENESS OF INTERNAL CONTROLS**

1.2.9.1. The Internal Audit and Risk Manager position did not function independently from the management, in particular CFO.

1.2.9.2. The Internal Audit function did not carry the necessary authority to act independently of the management.

1.2.9.3. The CSA had no effective internal audit unit for the past four years.

1.2.9.4. Moroe and AuditCom failed to ensure that CSA Internal Audit Unit was properly constituted and complied with King IV.

1.2.9.5. There is no indication that Moroe acted on, alternatively ensured that the relevant officials at CSA acted on internal audit findings relating to:

1.2.9.5.1. Lack of governance;

1.2.9.5.2. Absence of project and risk management plan;

1.2.9.5.3. Failure to adhere to CSA procurement policy;

1.2.9.5.4. Failure to prepare and submit budgets to CSA Board for approval;  
and

1.2.9.5.5. Failure to follow CSA recruitment and selection policy.

1.2.9.6. The CSA management did not take action on external auditors finding relating to VAT in the years ended 30 April 2018 as the external auditors raised the same finding in the year ended 30 April 2019.

**1.2.10. APPOINTMENT OF CHANTEL MOON AS HEAD OF HUMAN RESOURCES**

1.2.10.1. Moroe appointed Moon as Head of HR without following procurement processes in contravention of paragraph 3.4.2 of the procurement policy and procedures;

1.2.10.2. Moroe changed the reporting lines of HR Manager that were approved by the Board in terms of the OD from the COO to the CEO;

1.2.10.3. The changed reporting lines resulted in the HR Manager reporting to the CEO instead of the COO;

1.2.10.4. Moroe decided to fill the position of HR Manager with a consultant instead

of a permanent employee as required by the approved OD;

- 1.2.10.5. Moroe caused CSA to pay People Link (Moon) R1 699 335 for the period August 2019 to April 2020 without following procurement processes;
- 1.2.10.6. This is a second instance where Moroe filled a position with a consultant without following procurement processes (refer paragraph 5.11 above);
- 1.2.10.7. Moon does not possess the minimum qualification requirements for the HR Manager or Head of HR position;
- 1.2.10.8. Moon was paid a total of R1 253 216.50 for the period 2017 to 2018 for adhoc HR related work without a signed contract.

## 1. INTRODUCTION

- 1.1. On 5 March 2020, Cricket South Africa (“CSA”) appointed Fundudzi Forensic Services (“Fundudzi”) to conduct an investigation into various governance issues within CSA dating back to forty-eight months ago *i.e.* 2016 to 2019. The call for the investigation followed the CSA President advising the Members’ Counsel of the CSA Boards’ decision on 6th December to place CEO on precautionary suspension. Our appointment followed a tender process in which Fundudzi was requested to submit its proposal based on the terms of reference included below in this report.
- 1.2. We understand that the period under investigations falls within the tenure of Haroon Lorgat (“Lorgat”) (“former CEO of ICC and former CEO of CSA) and Thabang Moroe (“Moroe”), the current CEO of CSA.
- 1.3. We further understand that Moroe was placed on suspension following a CSA Board decision on 6 December 2019. The suspension followed *inter alia* the revocation of media accreditation of five journalists by CSA, which revocations were not well received by sponsors and the cricket community at large.
- 1.4. According to the media statement released by CSA, the decision to place Moroe on suspension was based on reports received by the CSA Social and Ethics Committee and the AuditCom of the Board relating to possible failure of controls in the organisation.
- 1.5. CSA also raised a number of governance issues which are captured below in our scope section.
- 1.6. The purpose of this final draft report is to provide feedback to CSA specifically on the allegations against the Chief Executive Officer, Thabang Moroe (“Moroe”).
- 1.7. This report is privileged and confidential and was prepared solely for purpose of our findings to CSA and should therefore not be utilised for any other purpose without our prior written consent.

## 2. LIMITATIONS

- 2.1. The purpose of this final draft report is to provide the Board with the findings on the investigation specifically on the allegations against Moroe.
- 2.2. The findings and conclusion contained in this final draft report are based on a review of documentation and consultations conducted with various CSA officials and third parties. It should however be noted that we have not consulted with Moroe as at the date

of submission of this final draft report as he is in the process of consulting with his attorneys.

2.3. We were further not able to consult with Appiah as he indicated that there were contractual issues between him and CSA.

2.4. We contacted Nkuta on various occasions, however she did not answer or return our calls.

### **3. SCOPE AND METHODOLOGY**

#### **3.1. Scope**

Based on the information provided to us by CSA, we understand that the objectives of our investigation were to independently investigate the following:

3.1.1. Determine whether Management and Board of Directors adhered to Governance Framework;

3.1.2. Determine whether effective internal controls were in place to prevent or detect material misstatements and other irregularities;

3.1.3. Determine whether key sub-committees, reasonably relied on management information and applied reasonable levels of professional skepticism to such information before recommending such proposals for approval by the Board;

3.1.4. Determine whether there were completeness and adherence to key Policies, such as:

3.1.4.1. Delegation of Authority – ensuring adherence to levels of authority;

3.1.4.2. Declaration of Conflict of Interest;

3.1.4.3. Procurement Policy;

3.1.4.4. Enterprise Risk Management Policy;

3.1.4.5. Employee Expense Claims;

3.1.4.6. Fraud Prevention Policy;

3.1.4.7. Asset Management Policy; and

3.1.4.8. Cell Phone Policy.

3.1.5. Determine the Completeness and Correctness of Management reports over the last twelve (12) months;

3.1.6. Determine whether CSA's funds were used for intended purposes;

- 3.1.7. Determine whether decisions were made in the interest of CSA; and
- 3.1.8. Provide CSA with our factual findings report.
- 3.1.9. As indicated above, the purpose of this final draft report is to provide feedback to CSA specifically on the allegations against Moroe.

## 3.2. **Methodology**

The nature of the investigation included consultations with various individuals, company and close corporation statutory searches, review of documentation, imaging of electronic storage devices and other investigative procedures deemed necessary to address our mandate as reflected above.

### 3.2.1. **General procedures performed**

In order to address the objectives mentioned above, we conducted the following procedures:

#### 3.2.1.1. **Review of documentation:**

We reviewed *inter alia* the following documentation as provided to us by CSA officials and third parties:

- 3.2.1.1.1. Accreditation Policy;
- 3.2.1.1.2. Media Guidelines, Policy and Protocols;
- 3.2.1.1.3. Various emails provided by officials consulted with;
- 3.2.1.1.4. 702 podcasts in which Moroe had a discussion at Power FM;
- 3.2.1.1.5. Media searches;
- 3.2.1.1.6. CSA Procurement Policy;
- 3.2.1.1.7. Various agreements between CSA and Service Providers
- 3.2.1.1.8. Delegation of Authority;
- 3.2.1.1.9. Various email communication;
- 3.2.1.1.10. Members Council Minutes of Meeting for the period January 2016 to 16 December 2019;
- 3.2.1.1.11. Minutes of CSA Board meetings for the period 2016 to 2020;
- 3.2.1.1.12. Minutes of CSA Subcommittee meetings for the period 2016 to 2020;

- 3.2.1.1.13. Email from Paul Manning dated 18 September 2018 addressed to Moroe, Appiah and Eksteen;
- 3.2.1.1.14. Appiah's submission dated 29 October 2019 to FinCom regarding Due Diligence Report on GSC;
- 3.2.1.1.15. Credit card bank statements of CSA employees for the period 2016 to 2019;
- 3.2.1.1.16. Credit card claims submitted by CSA employees for the period 2016 to 2019

### 3.2.1.2. Consultations

We conducted consultations with the following role players who in our opinion had information relevant to our investigation:

- 3.2.1.2.1. Andrew Breetzke;
- 3.2.1.2.2. Archie Pretorius;
- 3.2.1.2.3. Chris Nenzani;
- 3.2.1.2.4. Christelle Janse Van Rensburg;
- 3.2.1.2.5. Clive Eksteen;
- 3.2.1.2.6. Corrie Van Zyl;
- 3.2.1.2.7. David Becker;
- 3.2.1.2.8. Dave Richardson;
- 3.2.1.2.9. Iqbal Khan;
- 3.2.1.2.10. Jack Madiseng;
- 3.2.1.2.11. Ken Borland;
- 3.2.1.2.12. Koketso Gaofetoge;
- 3.2.1.2.13. Kugandrie Govender;
- 3.2.1.2.14. Lucy Davey;
- 3.2.1.2.15. Marius Schoeman;
- 3.2.1.2.16. Musa Gubevu
- 3.2.1.2.17. Nick Kock;
- 3.2.1.2.18. Omphile Ramela;
- 3.2.1.2.19. Pholetsi Moseki;

- 3.2.1.2.20. Shirley Zinn;
- 3.2.1.2.21. Telford Vice;
- 3.2.1.2.22. Thamsanqa Mthembu;
- 3.2.1.2.23. Unathi Tshotwana; and
- 3.2.1.2.24. Welsh Gwaza.

### 3.2.1.3. **Background searches conducted**

We conducted background searches on the following officials and entities:

#### 3.2.1.3.1. **Individuals**

- 3.2.1.3.1.1. Thabang Moroe;
- 3.2.1.3.1.2. Unathi Tshotwana; and
- 3.2.1.3.1.3. Candice Tshotwana.

#### 3.2.1.3.2. **Entities**

- 3.2.1.3.2.1. Tinanati Management Consulting (Pty) Ltd

### 3.2.1.4. **Computer imaging**

We imaged computers/laptops of the following individuals:

- 3.2.1.4.1.1. Clive Eksteen;
- 3.2.1.4.1.2. Dalene Nolan;
- 3.2.1.4.1.3. Lundi Maja;
- 3.2.1.4.1.4. Naasei Appiah;
- 3.2.1.4.1.5. Thabang Moroe; and
- 3.2.1.4.1.6. Ziyanda Nkuta.

## 4. **RELEVANT LEGISLATION, POLICIES AND PROCEDURES**

### 4.1. **Accreditation Policy**

We reviewed the Accreditation Policy provided to us by CSA. The Effective date was not indicated on the Policy. We determined that although the Policy provided for the appeal process to be followed in case of accreditation being revoked, the Policy did not provide for reasons or circumstances under which accreditation could be revoked.



## 4.2. **Extract of Thabang Moroe's Contract of employment**

4.2.1. We reviewed Moroe's contract of employment and extracted the following relevant clauses.

### **Clause 4. Duties and Responsibilities**

*Clause 4.1 The Executive shall during the continuance of his employment hereunder devote the whole of his working time, attention and abilities to the business and affairs of CSA and shall use his best endeavours to promote and protect the interests, activities and welfare of CSA, and the development, co-ordination, regulation and promotion of cricket insofar as the same may involve CSA.*

*Clause 4.2 The Executive shall at all times be directly responsible to the Chairperson and through him to the Board on all matters relating to cricket and shall at all times promptly give to the Chairperson and the Board (in writing if so requested) all such information, explanation and assistance as he or they may require in connection with the Executive's employment hereunder and with the business of CSA.*

*Clause 4.3 Without limitation of the authority and responsibility of the position of the chief executive officer as described above, the Executive shall have overall authority and responsibility to, inter alia:*

*4.3.1 implement CSA's strategic objectives through operations of CSA;*

*4.3.2 directly manage the performance of the organisation and all its employees, including, but not limited to, the performance of the Head of Coach of the Proteas, team doctor, team manager, chief operations officer and chief financial officer; and*

*4.3.3 hire, discharge, and determine the compensation and duties of employment of all personnel of CSA (other than that of members of the Board in their capacity as directors and for those roles specifically reserved for the Board's determination)*

*Clause 4.4 In addition as Chief Executive Officer, Executive shall perform any other special duties assigned or delegated to Executive by the Board from time to time and unless otherwise directed by the Board, shall:*

*4.4.1 receive notice of and attend meetings of the Board, and report to the Board and its duly authorized committees as they shall require on all phases of operations of CSA, including all services rendered in connection with the*

*operation of CSA, employment of personnel and acquisition and disposition of assets;*

4.4.2 *be responsible for supervision and implementing CSA's policies and operations programs, budgets, procedures and directives established or changed from time to time (collectively, the "policies and operating programs") adopted by the Board, and*

4.4.3 *direct the management and conduct of the operations of CSA in the ordinary course of its business pursuant to the Policies and Programs of CSA, provided that Executive shall not take any actions which the Executive is not mandated to take in terms of the delegation of Authority Framework, CSA Policies or Board Directives to this effect without the prior approval of the Chairman of the Employer. For the avoidance of any doubt the Executive shall not enter into any transaction, agreement or take any other action that is outside the ordinary course of the CSA's business or contrary to CSA's policies and operation programs.*

#### 4.3. **Recognition and Procedural Agreement**

4.3.1. We noted that a Recognition and Procedural Agreement was entered into between CSA, the Franchises, The provincial Cricketing Bodies and SACA. The agreement was dated 31 July 2018.

4.3.2. We reviewed the said agreement and extracted the following relevant provisions:

*Paragraph 13. As the collective bargaining representative of cricketers, the Employer Parties undertake –*

13.1 *to negotiate with SACA on the terms and conditions of employment of cricketers;*

13.2 *to consult with SACA on any matter that will have an impact on the terms and conditions of employment of cricketers including the introduction of, or changes to the structure of the game, including at national, franchise and provincial levels;*

*Paragraph 15.2 Unless agreed otherwise, CSA must provide SACA with its forecast revenues for the period of the next MOU within one (1) month of the commencement date;*

*Paragraph 18. Before the Employer Parties make a decision on matters that impact on the terms and conditions of employment of cricketers including but now limited to the*

*introduction of, or changes to, the structure or divisions of the game, or the franchise structure, then CSA will, on behalf of the other Employer Parties and unless otherwise agreed in writing by CSA and SACA, initiate consultations with SACA in the following manner:*

18.1 *CSA will give written notice of its proposals to SACA and at least two (2) weeks' notice of a meeting to present the proposals and to agree the consultation process;*

18.2 *The parties must meet within two (2) weeks of that meeting to consult on proposals.*

*Paragraph 19. The parties acknowledge that effective negotiation, consultation and problem-solving is possible only if there is a meaningful exchange of information.*

*Paragraph 20. The parties undertake to disclose all relevant information required to enable the parties to engage effectively in negotiation or consultation.*

*Paragraph 23. Should the parties fail to agree on any matter concerning the actual disclosure of information the disputing party may declare a dispute in terms of clause 29 of this agreement.*

#### **4.4. Commercial Agreement Between CSA, SAPCT and SACA**

4.4.1. We determined that CSA entered into an agreement with the South African Professional Cricketers Trust ("SAPCT") and SACA dated November 2018. The agreement was in respect of the licensing rights accorded to CSA by SAPCT in respect of the Mzansi Super League.

4.4.2. We extracted the following relevant provisions:

*Paragraph 1.1.9 League means the T20 cricket league known as Mzansi Super League T20, owned by CSA and played annually in South Africa;*

*Paragraph 1.1.11 League fund means the fund credited with unutilized funds from the Player Cap earmarked for Cricketer remuneration for participation in the league;*

*Paragraph 1.1.15 Player Cap means the aggregate amount allocated by CSA for remuneration of all of the Cricketers in the League and for sake of clarity this amount to forty-eight million rand (R48 000 000) for the edition*

*Paragraph 7.1 As consideration for licensing the rights granted to CSA by SAPCT, as set out in this agreement, CSA shall pay to SAPCT:*

7.1.1 *the amount of one million six hundred and fifty thousand rand (R1 650 000) plus VAT, which payment shall be made on or before 9 November 2019; and*

7.1.2 *all amounts credited to the League Fund as at the end of the edition, after payment of medical insurance amounts related to cricketers designated as overseas Marquee Cricketers (and any other amounts as may be agreed in writing by CSA and SACA), and any such amount shall be paid within seven (7) days of the end of the edition.*

#### 4.5. **Memorandum of Understanding 2018**

4.5.1. We determined that CSA entered into a Memorandum of Understanding with SACA, the Franchises as well as the Provinces. The relevant clauses are included in our report below.

#### 4.6. **CSA Memorandum of Incorporation**

4.6.1. According to clause 23.1 of the MOI, The Directors shall have the powers of management granted to the Directors in terms of section 66(1) of the Companies Act.

4.6.2. In terms of clause 23.2 for the avoidance of doubt, such powers shall include but not be limited to:

*23.2.1 the granting of loans to Members;*

*23.2.2 the provision or withholding of funds to Members;*

4.6.3. Clause 24.1 provides that the Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The members of such committees may include Persons who are not Directors.

#### 4.7. **Delegation of Authority**

4.7.1. In terms of clause 2.3.1(c) of the Delegation of Authority document, any loan to an Affiliate, Associate or Franchise requires the approval of the Board on the basis of a recommendation from F&CA (FinCom)

#### 4.8. **Financial Assistance Policy**

The loan scheme is managed by the CSA Finance and Commercial Committee on behalf of CSA and is administered by the CSA finance department under the direct supervision of the CFO. The policy states that:

4.8.1. *FinCom is authorized to approve loans or other assistance up to ZAR 1,500,000. Amounts over this limit must be approved by the CSA Board on the recommendation of FinCom.*

- 4.8.2. *FinCom (or CSA Board where applicable) may approve a different loan amount to that applied for or may decline the application in its entirety if not satisfied with the purpose or required terms for the loan.*
- 4.8.3. *The loan amount and repayment terms will be determined with reference to the net distributions that the member would receive from future CSA distributions or grants. However, the loan amount shall not exceed 50% of the "net distributions" from future distributions and grants to be awarded within the next 24 months. "Net distributions" for this purpose will be calculated after deducting Member recharges and any other deductions previously agreed.*
- 4.8.4. *In considering any application FinCom shall consider the circumstances relating to the Members' financial position and any other factors such as good Member governance; sound management and the potential revenues (e.g. gate income, hosting fees etc.) accruing to the member from future activities.*
- 4.8.5. *FinCom or the Board of CSA (where applicable) may, as a condition of the loan, require the applicant to appoint a reputable financial administrator acceptable to CSA to conduct a review of the applicant's financial affairs. The cost will be borne by the applicant and the report will be to the applicant Member Board with a copy provided to CSA.*
- 4.8.6. *Any Member applying for financial assistance must have sound financial controls and must have agreed to abide by all the provisions of CSA's MOI, Funding Agreement and the CSA Handbook.*
- 4.8.7. *All loans will be denominated in ZAR and carry interest which will be determined at the outset by FinCom in accordance with rates (not exceeding the prime lending rate in South Africa minus 1% per annum) established by the board of CSA from time to time.*
- 4.8.8. *FinCom or the Board of CSA (where applicable) will have the right to amend the interest rate or repayment terms at their discretion.*
- 4.8.9. *The Member may repay the loan or any part thereof at any time before maturity date without penalty.*
- 4.8.10. *In the event of any legal proceedings being initiated during the term of the loan between the Member and CSA, the outstanding capital and interest accrued will become due and payable immediately.*
- 4.8.11. *In the opinion of FinCom, the Member must be in good standing with CSA.*
- 4.8.12. *CSA may impose any other conditions that it deems appropriate.*
- 4.8.13. *The decision of the FinCom and the CSA Board (where applicable) will be final.*

- 4.8.14. According to the Financial Assistance Policy, a standard loan application form must be completed in full and must be accompanied by at least the following:
- 4.8.14.1. Latest audited Annual Financial Statements;
  - 4.8.14.2. Latest management accounts;
  - 4.8.14.3. A liquidity and solvency test from both the lender and borrower;
  - 4.8.14.4. Evidence that repayment will not result in the curtailment of CSA's Presidential Plan;
  - 4.8.14.5. Cash flow forecast for the current year and next three years;
  - 4.8.14.6. Full reasons for the loan (purpose) being required and the circumstances leading to the need for financial assistance; and
  - 4.8.14.7. Member Board resolution authorising the loan and terms and conditions.
- 4.8.15. The policy further states that: *All loans must be repaid as agreed or set off against the next CSA distribution due to the Member. Final settlement will be made by CSA directly offsetting the capital and interest balance against the distribution due to the Member.*
- 4.8.16. The CFO is expected to report the Members' outstanding loan and interest balances to the members of the committee at each scheduled FinCom meeting.

## 5. FINDINGS

- 5.1. The findings discussed below are based on various consultations, business intelligence searches and review of documentation made available to us during the course of our investigation.
- 5.2. In line with Fundudzi Forensic Services practice, due care was taken to confirm the factual accuracy of the findings in this report. This includes consultations with individuals who in our opinion had relevant information for our investigation.
- 5.3. The findings in this report should be addressed decisively by the CSA. We believe that corrective action limited to the specific individual findings alone would likely address symptoms but not the underlying causes. The approach carries the risk of deficiencies recurring in future. It is therefore imperative that the underlying causes contributing to the deficiencies be properly understood and addressed as part of the corrective actions to be taken in response to our report.
- 5.4. We discuss below our findings into various governance issues and allegations communicated to us by CSA.

## 5.5. BACKGROUND

- 5.5.1. Moroe was appointed as an Acting CEO of CSA from September 2017. Moroe was appointed as CSA CEO effective 16 July 2018 for a 60-month fixed term. Moroe accepted his appointment as CEO of CSA on 30 July 2018.
- 5.5.2. There were various allegations levelled against Moroe which included *inter alia* the revocation of Media Accreditation of five journalists and the breakdown in relationship with SACA.
- 5.5.3. CSA Board also raised a number of governance issues during Moroe's tenure as both Acting CEO and CEO of CSA.
- 5.5.4. We further understand that Moroe was placed on suspension following a CSA Board meeting of 6 December 2019. The suspension followed *inter alia* the following allegations:
  - 5.5.4.1. Revocation of stadium accreditation of certain journalists; and
  - 5.5.4.2. Insufficient executive oversight and related matters.
- 5.5.5. CSA appointed Fundudzi Forensic Services to conduct investigations relating to various governance issues and allegations mentioned above.

## 5.6. REVOCATION OF MEDIA ACCREDITATION

5.6.1. As indicated above, on 6 December 2019, CSA placed Moroe on suspension. In a letter dated 24 January 2019(*sic*) to Moroe, the President of CSA stated that *“the charges relate largely to the revocation of the stadium accreditation of certain journalists; insufficient executive oversight and related matters. The employer reserves the right to add other charges should it become necessary<sup>1</sup>.”*

5.6.2. We determined that the following journalists’ accreditation were revoked during the period 25 November to 2 December 2019:

- 5.6.2.1. Firdose Moonda - ESPN/ CricInfo;
- 5.6.2.2. Ken Borland - The Citizen;
- 5.6.2.3. Neil Manthorp - International Newspaper/ Browns Day;
- 5.6.2.4. Stuart Hess - Independent Newspapers; and
- 5.6.2.5. Telford Vice - Sunday Times/ CricBuzz.

5.6.3. According to Kugandrie Govender (“Govender”), CSA Chief Commercial Officer, the accreditation of journalists is processed within the Commercial Business Unit. Thamsanqa Mthembu (“Mthembu”), CSA Head of Media and Communications indicated that the processing of media accreditation falls within his portfolio. According to Mthembu, media accreditation of journalists is approved for one particular year, subject to renewal.

5.6.4. According to Koketso Gaofetoge (“Gaofetoge”), CSA Digital Content Manager, the following journalists were accredited to access various zones within the stadiums:

NAME	ACCREDITATION DATE	ACCREDITED ZONES
Firdose Moonda	25 October 2019	1, 2, 3 and 5
Ken Borland	5 November 2019	1, 2, 3 and 5
Neil Manthorp	4 November 2019	1, 2, 3 and 5
Stuart Hess	5 November 2019	1, 2 and 3

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<sup>1</sup> Refer Exhibit 1



NAME	ACCREDITATION DATE	ACCREDITED ZONES
Telford Vice	5 November 2019	1, 2, 3 and 5

#### 5.6.5. CSA Negative Media Publicity Concerns

5.6.5.1. Mthembu indicated that there had been various instances of negative reporting against the CSA by various journalists. According to Mthembu, the alleged negative reporting had been identified by various officials within CSA and appeared to have been of great concern.

5.6.5.2. We reviewed various minutes of meetings of various CSA committees. In the minutes of the Special Members Council meeting of 21 October 2017, Nenzani highlighted the media leaks of information, whether accurate or not before they could serve in the Board. Nenzani further requested members to come together and concord a unified voice.

5.6.5.3. In the same meeting *i.e.* 21 October 2017, Moroe, who was the Acting CEO at the time, added to Nenzani's statement and indicated that the Minister of Sports and Recreation at the time was concerned about what was reported in the media about CSA. Moroe indicated that the Minister was assured that CSA was in control and would properly manage the situation.

5.6.5.4. In the minutes of Board meeting held on 1 February 2019, Moroe highlighted from his report that the communication strategy to respond to negative publicity on the T20 League and any other major concerns related to the administration of cricket was underway.

5.6.5.5. Under item 7.3 of the Board minutes of meeting held on 1 February 2019, it was indicated that a media strategy and plan to address negative reporting on the T20 League was presented to the Board and the Board noted the report.

#### 5.6.6. Instructions to revoke media accreditation of journalists

5.6.6.1. As indicated above, Govender indicated that the media accreditation falls within her department. Govender further indicated that revocation of journalist's accreditation should have been discussed with her prior to the implementation thereof.

5.6.6.2. Govender however, indicated that her relationship with Moroe was strained from around November 2019 and as a result Moroe sidelined her and had discussions

directly with her subordinates, including Mthembu. Govender indicated that she was not involved in the decision to revoke the accreditation of various journalists.

- 5.6.6.3. We determined that on 20 November 2019, Moroe sent an email to Govender indicating amongst others that<sup>2</sup>: *“ I have decided to bring Thamie (Mthembu) closer to myself and the president after not seeing much happening in terms of the changes you promised and CSA continues to be lambasted in the media with a particular focus to the CEO’s office and the board! The board is very unhappy with the lack of response and urgency on our side and I obviously couldn’t continue to wait any longer hence the move!”*
- 5.6.6.4. Mthembu confirmed that Moroe had direct discussions with him on various issues, thereby “by-passing” his immediate manager, Govender<sup>3</sup>. Mthembu, however, indicated that although he understood that the relationship between Moroe and Govender was not good, he felt that Moroe had the right to discuss matters directly with him.
- 5.6.6.5. Mthembu further indicated that when he joined CSA in October 2019, he learnt that there were already concerns within CSA of negative media reporting associated with certain journalists. The negative reporting was allegedly sinister with the intention to put CSA Management and the Board in a bad light.
- 5.6.6.6. Mthembu provided us with various emails reflecting discussions within CSA regarding negative reporting<sup>4</sup>.
- 5.6.6.7. On 27 October 2019, Michael Owen-Smith (“Owen-Smith”), Executive Consultant wrote in an email in which he listed various negative newspaper articles about CSA. In his email, Owen-Smith indicated:
- “Please see Ken Borland column in Saturday Citizen which accuses the Board of not carrying out its fiduciary duties properly and allowing the CEO to get away with what it calls incompetence and in the worst case scenario outright malfeasance. I don’t think we can leave this unchallenged”.*
- 5.6.6.8. On the same day *i.e.* 27 October 2019, Govender replied to Owen-Smith and copied the CSA Board of Directors, CSA EXCO, CSA Senior Managers and Angelo Carolissen. In her email, Govender stated that:

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<sup>2</sup> Refer Exhibit 2

<sup>3</sup> Refer Exhibit 3

<sup>4</sup> Refer Exhibit 4

*“Ken Borland’s sensationalist column is a far cry from the cordial relationship he shares with the Comms department. I will be addressing him and his editor in a joint letter in response to this article, and his outrageous statements that show low levels of journalistic quality. I will be disseminating to Exco ahead of the issue to the paper.*

*Please let me know if there is anything you feel strongly about that you would like to see included in this response.”*

- 5.6.6.9. On 28 October 2019, Nenzani replied to Govender and copied Owen-Smith, CSA Board of Directors, CSA Exco, CSA Senior Managers and Carolissen. In his reply, Nenzani indicated that:

*“Dear KG*

*I am still not happy with the lack of reaction from us on blatant misinformation that is spread by some journalists about CSA and some of us as individuals. Ken Borland is used to this. He sees us as fair game. There is no response from us. I have in the past suggested that we should not allow the media to report lies and no one holds them accountable. The media has a watchdog, the Office of the Media Ombuds.*

*I want to see action. This is not acceptable”*

- 5.6.6.10. It should be noted that Moroe was copied in the above email by virtue of him being a member of EXCO.
- 5.6.6.11. On 28 October 2019, Govender replied to Nenzani indicating that she was working on a response to Ken Borland and also a draft complaint to Press Council. Govender assured Nenzani that she was personally taking the reins and that he would see action as he required. Nenzani replied to Govender and thanked her.
- 5.6.6.12. On 28 October 2019, Govender sent an email to EXCO and copied Mthembu as well as Owen-Smith. In the email, Govender requested comments on the letter to Ken Borland and Trevor Stevens of the Citizen as well as a letter to the Press Ombudsman.
- 5.6.6.13. Govender requested Gwaza to provide direction or advice as the President and Moroe had instructed that severe action be taken and an example be set against the “macavelian” journalism.
- 5.6.6.14. On 29 October 2019, Gwaza replied to Govender and copied Van Zyl, Max Jordaan, Appiah, Moseki and Moroe. Gwaza indicated that:

*“I have reviewed the correspondence below and I am of the view that the most viable approach is slightly different from the approach below.*

*First, we will instruct legal counsel on this matter. In the interim, Michael, please provide us with all the articles which Hess had written on CSA, Cricket or any other matter related to cricket in the last 12 months.*

*In addition, we will need to have copies of the emails or correspondence where the publication requested CSA’s response as well as the response which was provided.*

*Our approach to the Press Ombudsman will not only focus on this last matter but should be more comprehensive”.*

- 5.6.6.15. Based on emails provided to us by Gwaza, he consulted attorneys from ENS and Counsel was appointed. We noted that ENS advised that the letters to the Press Ombudsman and editors needed to be amended as they may not achieve the desired results if unamended.
- 5.6.6.16. Govender indicated that she had a meeting with the Sunday Times to discuss CSA’s concerns relating to being given an opportunity to comment on the publications.
- 5.6.6.17. Mthembu indicated that he was made aware that the issue of revocation of media accreditation was discussed at CSA EXCO prior to him joining CSA. Mthembu indicated that Govender informed him that previously Moroe asked her to revoke media accreditation of certain journalists that Moroe had identified.
- 5.6.6.18. Govender indicated that during a CSA EXCO meeting in which she raised the issue of negative reporting by media, Moroe indicated that CSA should consider to “close our home”. Govender disputed Mthembu’s statement that Moroe requested her to revoke journalist accreditation.
- 5.6.6.19. Gaofetoge indicated that during his tenure as the Acting Head of Media and Communications, he attended various CSA EXCO meetings<sup>5</sup>. He further indicated that in some of the CSA EXCO meetings, Moroe indicated that CSA should revoke media accreditation of certain journalists. Gaofetoge indicated that he advised against the revocation of media accreditation for journalists based on his experience when he was still in the soccer fraternity.

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<sup>5</sup> Refer Exhibit 5

- 5.6.6.20. In his written response to our questions relating to meeting of EXCO, Gwaza indicated that he does not recall a specific discussion around the revocation of media accreditation. Gwaza also further indicated that he does not recall Moroe discussing his intention to revoke media accreditation with him.
- 5.6.6.21. During our consultation with Govender, she indicated that CSA EXCO meetings were not always minuted.
- 5.6.6.22. Mthembu indicated that during a Mzansi Super League match in Durban on 9 November 2019, Moroe indicated to him and Gaofetoge that he, Moroe, had been saying for the past few months that the accreditation of journalists should be taken away. Mthembu indicated that the journalists that Moroe was referring to, were the following:
- 5.6.6.22.1. Firdose Moonda;
  - 5.6.6.22.2. Ken Borland;
  - 5.6.6.22.3. Stuart Hess; and
  - 5.6.6.22.4. Telford Vice.
- 5.6.6.23. Gaofetoge confirmed that Moroe informed Mthembu that he, Moroe, had been telling him, Gaofetoge, to revoke media accreditation but that the latter had not done so. According to Gaofetoge, it was on this basis that Mthembu realised that Moroe was serious about revoking media accreditation of the identified journalists.
- 5.6.6.24. Gaofetoge indicated that Moroe had on two or three occasions whilst he, Gaofetoge, was Acting Head of Media and Communications informed him to revoke media accreditation of some journalists.
- 5.6.6.25. Mthembu indicated that Sipokazi Sokanyile (“Sokanyile”), CSA Media Manager pointed to Mthembu via WhatsApp message that Manthorp was misbehaving in that he was “talking down” on CSA in a WhatsApp group they share. According to Mthembu, Manthorp’s name was then added to the list of four journalists mentioned above whose accreditation should be revoked. Mthembu could not indicate who took a decision to add Manthorp’s name to the list.
- 5.6.6.26. According to Mthembu, the journalists continued to attack CSA and the Board. The said attacks were allegedly exacerbated by the CSA’s non appointment of the Director of Cricket.

5.6.6.27. Mthembu further indicated that the then interim Director of Cricket, Corrie Van Zyl (“Van Zyl”), Head Cricket Pathways, was suspended in October 2019. According to Mthembu, the suspension of Van Zyl and other executives led to severe attacks on Moroe. Mthembu further indicated that based on the media attacks, Moroe started calling him and Gaofetoge asking them as to when they were going to revoke media accreditation of journalists.

5.6.6.28. Mthembu indicated that he knew that the revocation was going to happen at some time. He indicated that he advised Moroe against the revocation of journalist accreditation, especially taking into account the possible reaction of sponsors and CSA’s reputation.

5.6.6.29. During our telephone consultation with Sokanyile, she indicated that on 16 November 2019, Mthembu sent her a WhatsApp message asking her to develop a new list of journalists that could be invited to press conference, games and other future CSA activities. In the said WhatsApp message, Mthembu wrote:

*“Hello Spokie. I trust you are having a great Saturday. Tell you what, I need your urgent input on a drive that I need for my Monday EXCO Meeting. Can you please develop a new list of journos that we can invite to a press conference, games and other future CSA activities. I am looking for Black journos, Indian and Coloured journos including some white journos that you propose we work with going forward. I have received a nod from the CEO to withdraw the membership of the people we spoke about yesterday. For the English tour, please immediately ensure that Firdose Moonda, Telford Vice, Stuart Hess and Ken Borland do not receive an invite from CS and that their accreditation is revoked. If there is any other journalist that you feel needs to make the list then I suggest you add them to my list. Keep this confidential for now”*

5.6.6.30. Mthembu indicated that since he joined CSA in October 2019, he did not know much about the five journalists whose media accreditation were to be revoked. He further indicated that he requested Sokanyile to prepare a short description of each of the five journalists. On 19 November 2019, Sokanyile sent an email to Mthembu including the requested short description of each of the five journalists.

5.6.6.31. Sokanyile indicated to us that as she was discussing the issue of the five journalists with Mthembu, she suggested to Mthembu the following:

*“Suggested process to follow:*

- *Establish communication with problematic members of the media and table issues from both ends. Face-to Face communication with the meeting documented. It*

*would be a good idea to engage a mediator for this meeting. Should this bring no joy, institute the following steps in order:*

- *Send and/ or table complaints to editors;*
- *Engage with or send complaint to press ombudsman;*
- *Suspend privileges for Special events such as launches, off the record conversation with CE or revoke accreditations completely”*

5.6.6.32. Mthembu confirmed the contents of the above WhatsApp message and stated that he would not have referred to the CEO in his communication to Sokanyile if he did not receive instructions/ approval from him (Moroe) to revoke media accreditation of the journalists mentioned in his message.

5.6.6.33. Mthembu indicated that there were other people who were putting pressure to revoke accreditation but he was not prepared to reveal their identities during our consultation. Mthembu promised that he would reveal the identities at a later stage.

5.6.6.34. On 23 November 2019, Mthembu sent a WhatsApp message to Sokanyile stating the following:

*Spokie and KK, I am sending this for your actioning. Please deregister all the people that we have discussed. They are not to form part of any planned future CSA engagements. Please ensure that only accredited media participate in the upcoming England tour and other bilateral. Security to ensure that media without accreditation are not allowed into the press conference venues and that deregistered media do not access our media venues at stadiums. Can you please explore if differently styled accreditation cards can be used for the forthcoming tour. If not, please let me know how best we should deal with the issue of non accredited media. Let us discuss further on Monday, for furtherance.*

5.6.6.35. Gaofetoge indicated that following Mthembu’s message discussed above, he actioned the revocation of media accreditation of the five journalists on the CSA system on 25 November 2019.

5.6.6.36. We noted that on 25 November 2019, Gaofetoge sent an email to Daryl Barrufof, CSA Ticketing Officer and stated that:

*Hi DB,*

*Kindly note that the following journos have had their accreditations revoked:*

- *Telford Vice*
- *Firdose Moonda*

- *Ken Borland*
- *Stuart Hess*
- *Neil Manthorpe*

*Can I please ask that you keep the ticket officers at all our venues aware of these deviations.*

*Many Thanks,*

- 5.6.6.37. Mthembu indicated that on 29 November 2019, Stuart Hess (“Hess”) attempted to enter Supersport Park Stadium but his access was denied. Mthembu further indicated that Hess approached Lucy Davey (“Davey”), Supersport Park Stadium Marketing Manager to enquire the reason for his card not working. Davey contacted Mthembu who informed her that Hess’ media accreditation had been revoked on Moroe’s instruction.
- 5.6.6.38. Mthembu confirmed that he told Davey that Moroe had instructed that media accreditation of the journalist be revoked. Mthembu further indicated that he requested Davey to allow Hess to access the stadium.
- 5.6.6.39. Davey indicated that on Friday 29 November 2019, Hess found out that his media accreditation was revoked. She further indicated that she contacted Marc Eunson from CSA who confirmed that the media accreditation of Hess was revoked. Davey further indicated that Hess was assisted to continue in the Supersport Park Stadium with his work for that day. She could not recall having discussion with Mthembu relating to the media accreditation revocation of Hess on 29 October 2019.
- 5.6.6.40. Gaofetoge indicated that the journalists were not informed before-hand of the revocation of their accreditation and only found out when they attempted to gain access into the respective cricket grounds.
- 5.6.6.41. According to Sokanyile, CSA operated a WhatsApp group, which included journalists. The purpose of the WhatsApp group was to disseminate information quickly to journalists. The five journalist whose media accreditation was revoked were part of the said WhatsApp group.
- 5.6.6.42. On 30 November 2019, Mthembu sent a WhatsApp message to Sokanyile stating that he just got flagged about the media WhatsApp group. He requested Sokanyile to provide him with a written update on the five “people” they spoke about. He further indicated that he needed the update so that he could highlight that at EXCO.



5.6.6.43. Sokanyile responded to Mthembu and apologized for the delay. She further stated that she did not have the full administrative rights and that Gaofetoge was the administrator of the WhatsApp group.

5.6.6.44. Mthembu indicated that after Hess found out that his accreditation was revoked, he (Mthembu) sent a message to the WhatsApp group which consisted of Moroe, Gwaza and Chantel Moon. Mthembu did not provide us with copies of the WhatsApp messages but provided us with an email indicating the following<sup>6</sup>:

*“On the morning of 01 December 2019 at 05:32 (before anything had been raised by the media), I then proceeded to send a Whatsapp message to a chat group (which I had created to ensure a record of messages) and that group had comprised of the HR Manager, The Head of Legal, and the CEO. My points to the group were as follows:*

- *I informed the group that as requested by the CEO, a journalist had been unable to access the stadium;*
- *I cautioned the Whatsapp group that the journalist was not happy and that I suspected that the journalist would publish a negative story;*
- *I went on to ask the CEO if Cricket South Africa still held the view that accreditation should be stopped for this journalist and I reminded the CEO that Standard Bank had already previously expressed their dissatisfaction with the level of bad publicity towards CSA, through a written letter to him. I went on to point out that this could have negative effects for Cricket South Africa in the media;*
- *The CEO replied that the position stood and that he would explain to Standard Bank why he took the decision to withdraw accreditation”.*

5.6.6.45. Mthembu indicated that he would provide us with the WhatsApp communication at the right time. Gwaza indicated he was part of the WhatsApp group referred to above. When asked whether the contents of the WhatsApp message from Mthembu referred above was correct, Gwaza indicated that there may be information missing. Gwaza further indicated that Moroe was going to consult stakeholders as CSA needed a right of reply.

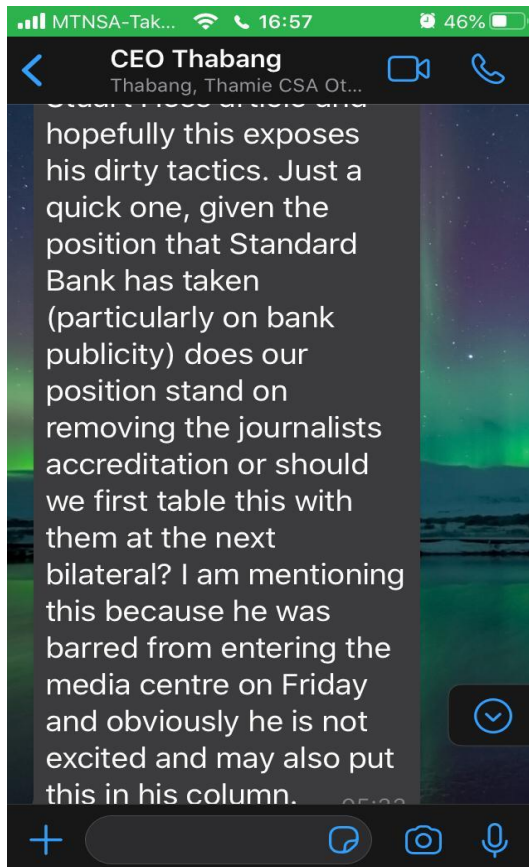
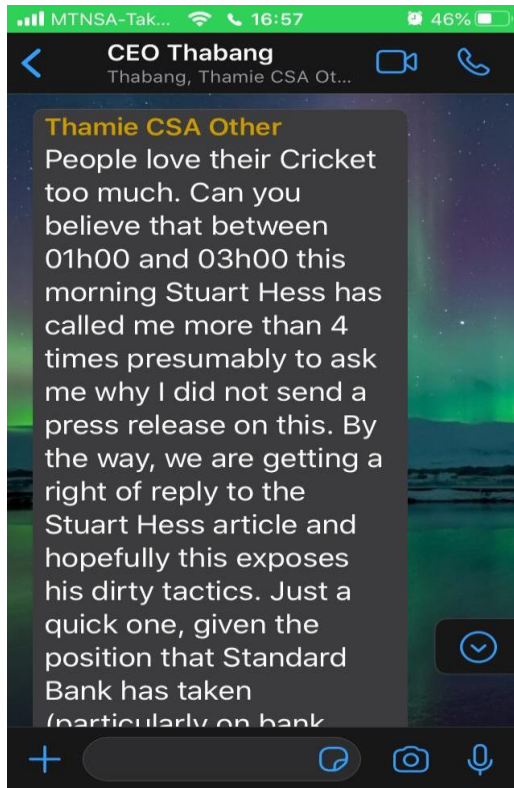
5.6.6.46. During our consultation with Moon, she confirmed that Mthembu sent a WhatsApp message to the WhatsApp group comprising Moroe, Gwaza, Mthembu and herself.

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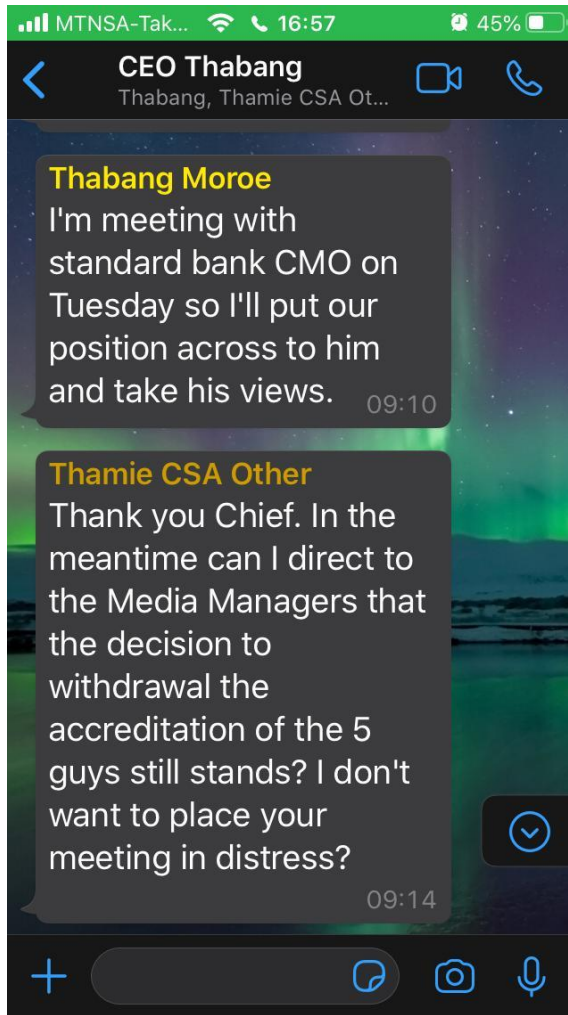
<sup>6</sup> Refer Exhibit 6

5.6.6.47. Moon provided us with various screen shots of communication amongst the group members. The said WhatsApp communication is in relation to confirmation of the decision to revoke media accreditation. We noted from the screen shots provided to us by Moon that the WhatsApp group was named “*CEO Thabang*”

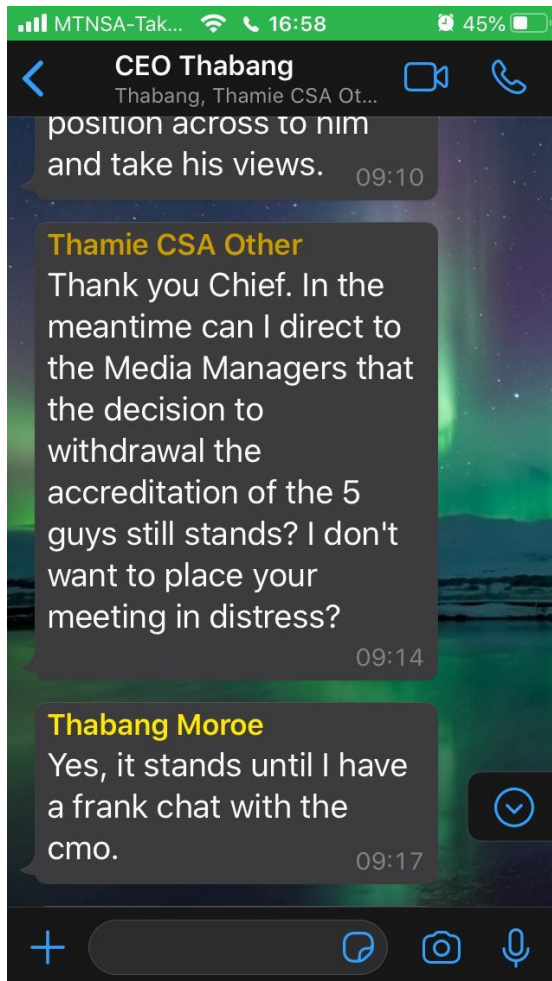
5.6.6.48. WhatsApp communication from Mthembu to the Group:



5.6.6.49. WhatsApp communication from Moroe and Mthembu to the group



#### 5.6.6.50. WhatsApp communication from Mthembu and Moroe to the group



#### 5.6.6.51. From the above WhatsApp communication, we noted the following:

- 5.6.6.51.1. The first WhatsApp communication was from Mthembu to the group. In his WhatsApp communication to the group Mthembu asked if the decision to remove the journalists accreditation still stood given Standard Bank's position particularly on "Bank publicity".
- 5.6.6.51.2. In his WhatsApp communication, Mthembu further enquired whether CSA should first table it (decision) with them at the next bilateral.
- 5.6.6.51.3. We noted that Moroe responded to Mthembu's WhatsApp communication at 09:10. In his response Moroe stated that he would be meeting with Standard Bank CMO on Tuesday and would put "our" position across to him and take his views.

- 5.6.6.51.4. We noted that Mthembu responded to Moroe's WhatsApp at 09:14 and stated *"thank you Chief in the mean time can I direct Media Managers that the decision to withdrawal (sic) the accreditation of the five guys still stands? I don't want to place your meeting in distress"*
- 5.6.6.51.5. We noted that Moroe responded to Mthembu's WhatsApp at 09:17 and stated *"Yes, it stands until I have a frank chat with the CMO"*
- 5.6.6.52. During our consultations with Nenzani, he indicated that on 2 December 2019, Moroe informed him that the revocation of media accreditation was done by the Media Manager.
- 5.6.6.53. Moroe created an impression that he was not aware and or involved in the decision and or implementation of the revocation of the media accreditation of the five journalists.
- 5.6.6.54. Based on the WhatsApp messages referred to above, Moroe misled Nenzani regarding his involvement in the decision to revoke media accreditation of the five journalists.
- 5.6.6.55. From above communications, we noted that the decision to revoke media accreditation was either done by Moroe or with his knowledge and instruction. Mthembu indicated that the revocation of media accreditation was done on Moroe's instruction.
- 5.6.6.56. On 1 December 2019, the following journalists found out that their accreditation had been revoked:
- 5.6.6.56.1. Telford Vice (Newlands Cricket Ground);
  - 5.6.6.56.2. Firdose Moonda (Newlands Cricket Ground); and
  - 5.6.6.56.3. Stuart Hess (Wanderers Cricket Ground).
- 5.6.6.57. The journalists found out when they attempted to gain access into the cricket grounds referred to next to their names.
- 5.6.6.58. Telford Vice and Firdose Moonda were assisted by the Stadium Managers to gain access to the stadium, whereas Hess left the stadium.
- 5.6.6.59. On the same day, Moroe attended to an interview at the ENCA on the issue of revocation of media accreditation.

5.6.6.60. Mthembu indicated that the interview at ENCA was not arranged by the media and communication department. Mthembu further indicated that under normal circumstances the said interview should have been arranged by the media and communications department.

5.6.7. **Media Statements**

5.6.7.1. On 1 December 2019, Hess posted on his twitter account @shockerhess (Stuart Hess) as follows:

*"Cricket South Africa has revoked my media accreditation. I am not allowed to enter any stadium to do my work. Despite numerous attempts to contact CSA in the last 36 hours, no reason has been given for why it has carried out this action".*

5.6.7.2. We understand that on 2 December 2019, Moroe was invited to Radio 702 for a live interview. During the Radio 702 interview, Moroe indicated that CSA did not sensor any journalists regardless of the fact that the organisation was not pleased with how the journalists were reporting about CSA.

5.6.7.3. In the said interview, Moroe further stated that CSA wanted journalists to afford the organisation an opportunity to comment on some of the articles the journalists were writing about.

5.6.7.4. Moroe confirmed during the Radio 702 interviews that CSA revoked the journalists' access because the organisation wanted to sit down with the relevant journalists to discuss the facts that they were writing about the organisation.

5.6.7.5. We determined that on 2 December 2019, Moroe went to ENCA for a studio interview relating to the revocation of media accreditation. It is not known if Moroe was invited by ENCA for the interview as the CSA Media and Communication Department does not have any record of the appointment with ENCA.

5.6.7.6. It was during the ENCA interview that Moroe stated that Hess's accreditation was revoked but denied that the latter was barred from entering the stadium.

5.6.7.7. Moroe further indicated that the reason Hess's accreditation was revoked was purely because of his sensational reporting of matters relating to CSA. Moroe indicated that CSA had asked Hess to provide the organisation with a fair opportunity to comment on matters relating to CSA, however Hess refused to do so. Moroe further indicated that Hess had never tried to afford CSA an opportunity to comment.

**5.6.8. Apology Issued by Moroe relating to the revocation of media accreditation**

5.6.8.1. We determined that Moroe issued various media statements apologizing about the revocation of media accreditation. Moroe wrote a letter to SANEF in which he apologized to the five journalists<sup>7</sup>. In the said letter, he indicated that:

*“Again thank you for taking my call and giving me a moment in your busy schedule. As I alluded to you that as head of operations at Cricket South Africa I take full responsibility for what transpired over the weekend and that I don’t think such a drastic measure was necessary! With hindsight being the perfect vision one can easily think to have spared a few minutes in my day to try and personally get hold of the journalists and assess their position myself.*

*I have been in talks with all the journalists and personally apologized for the embarrassment they suffered. I have also committed to a “sit down” with them so we can have frank discussions around CSA and cricket. Mr Boland (sic) is currently on holiday and I haven’t been able to get hold of him but will continue trying him.*

*I take this opportunity to once more apologize, unreservedly so to you and your organization for the mishap and can assure you that it will not happen again!*

*Looking forward to meeting with you once we are able to sync diaries so we can gingerly move forward together!”*

5.6.8.2. During our consultation with Ken Borland and Telford Vice, they both indicated that Moroe contacted them and apologized after the revocation of their media accreditation. We contacted Hess on numerous occasions however he did not answer our calls.

5.6.8.3. On 3 December 2019, Moroe issued a media statement in which he indicated, *inter alia*, the following<sup>8</sup>:

*“...To this end, I address this to the Board of CSA, our members, our Partners and Sponsors, SANEF, and the many journalists, and the Fans of the incredible sport of cricket.*

*I unreservedly apologise on behalf of Cricket South Africa for the erroneous process that led to journalists having accreditation revoked. I am proud to live in a free and fair South Africa where each and every one of us has the ability to compliment and criticize any organisation, including my own for my and/or my team’s efforts. Too many people have*

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<sup>7</sup> Refer Exhibit 7

<sup>8</sup> Refer Exhibit 8



*made the ultimate sacrifice for the privilege of free speech and I'd like to apologise to SANEF and all of your members for any harm that was caused during our accreditation error in judgement"*

**5.6.9. Discussion on revoking of accreditation at Board meetings**

- 5.6.9.1. We reviewed the minutes of meetings of the EXCO held on 19 April 2019 and 7 May 2019. We could not find any discussion of the revocation of media accreditation in the said minutes of meeting. We also reviewed minutes of Board meetings. Although we identified discussions regarding negative reporting, we could not find any discussion on the revocation of media accreditation.
- 5.6.9.2. The only time reference was made to the revocation of media accreditation was during the special board meeting of 6 December 2019, where the suspension of Moroe was discussed.
- 5.6.9.3. During our consultation with Nenzani and Khan, they both indicated that the revocation of media accreditation for journalists was never discussed at any Board meeting.
- 5.6.9.4. Nenzani indicated that the Board did not mandate Management and or Moroe to revoke media accreditation of journalists. Nenzani further indicated that Moroe had never discussed or indicated to him, Nenzani, that he, Moroe, intended to revoke media accreditation of certain journalists.
- 5.6.9.5. Nenzani indicated that he personally got to know about the revocation of the five journalists on 2 December 2019, when he was called by a journalist asking for his comment.
- 5.6.9.6. According to Nenzani, on inquiring from Moroe after he, Nenzani, had received the call from the journalist, Moroe said that he did not give the authority for the revocation of the media accreditation. Nenzani indicated that Moroe informed him that the revocation of media accreditation of the five journalists was done by a manager in the Communications Department.
- 5.6.9.7. Gwaza indicated that subsequent to the revocation of media accreditation as described above, Moroe had several interventions, stakeholder engagements, consultations with journalists and their editors. Gwaza further indicated that his involvement was limited. According to Gwaza, Moroe wrote a letter to SANEF apologizing and stated that the issue of who took the decision and implemented it was an internal matter which would be dealt with by CSA.

#### 5.6.10. Concerns raised by various sponsors

5.6.10.1. During our consultation with Govender, she indicated that various sponsors expressed unhappiness regarding the revocation of journalists' media accreditation. She further indicated that she had various meetings and discussions with sponsors to address their concerns regarding the revocation of journalists' media accreditation.

5.6.10.2. We noted that on 2 December 2019, Standard Bank issued a media statement indicating that it was gravely concerned about developments at CSA. Standard Bank further indicated <sup>9</sup>:

*“As a major sponsor of the South African men’s national cricket team, Standard Bank will meet CSA today in the wake of governance and conduct media reports which have brought the name of cricket into disrepute.*

*Standard Bank Group Chief Marketing Officer, Thulani Sibeko, says cricket in South Africa is a national asset and should be nurtured to thrive.*

*In recognition of the widespread interest in and support for cricket, we value the right of South Africans and the broader cricket community to know about developments within CSA, especially those that relate to governance and conduct.*

*Standard Bank is hopeful that we will emerge from meetings with CSA assured that our concerns, and those of other stakeholders, will be addressed speedily,” says Thulani.*

5.6.10.3. We determined that on 3 December 2019, Standard Bank issued another media statement as follows<sup>10</sup>:

*“Standard Bank concluded a productive meeting with Cricket South Africa last night amid reported governance and conduct challenges that have tarnished the image of Cricket in South Africa.*

*CSA assured Standard Bank, a title sponsor of the South African men’s national cricket team, that it will urgently take the South African public into its confidence about the state of governance at the cricket administrative body.*

*At the meeting, Standard Bank expressed its displeasure at the unsatisfactory manner in which CSA had engaged some of its stakeholders on the reported governance issues.*

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<sup>9</sup> Refer Exhibit 9

<sup>10</sup> Refer Exhibit 10

*“As a major sponsor of cricket in South Africa, we believe that we should have been afforded the courtesy to be kept abreast of these developments within CSA, and not to hear about them from the media in the unfortunate manner that we do, “said Thulani Sibeko, Standard Bank Group Chief Marketing Officer.*

*Standard Bank acknowledged CSA’s undertaking to urgently implement remedial actions to address stakeholder concerns, including the unacceptable manner in which it treated members of the media”*

5.6.10.4. In an email dated 3 December 2019, from Desiree Pooe (“Pooe”) of Standard Bank to Moroe and Govender, Pooe indicated *inter alia* that <sup>11</sup>:

*“The events of the past weekend relating to sport media and the resultant social media frenzy are very concerning to us. The media is a stakeholder community that we hold in high regard, especially for the role that they play in society. We are pleased to learn of the remedial steps you are taking in order to make amends with the individuals concerned. We are reasonably comforted by the decisive action plan, which we agreed will be executed today”.*

5.6.10.5. On 12 December 2019, Momentum issued a statement stating<sup>12</sup>, *inter alia* that “In light of recent revelations and reports of lack of good governance at Cricket South Africa (CSA), Momentum places its concern on record. The negative impact of CSA’s actions is neither good for cricket nor for instilling national pride”.

5.6.10.6. We further noted that Momentum decided to continue supporting CSA despite its concerns.

#### 5.6.11. **Conclusions relating to the revocation of media accreditation**

5.6.11.1. Based on the review of documentation and consultations conducted, our conclusions are as follows:

5.6.11.1.1. Media and Communications Department approved media accreditation for the following five journalists in October/November 2019:

- Firdose Moonda;
- Ken Borland;

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<sup>11</sup> Refer Exhibit 11

<sup>12</sup> Refer Exhibit 12

- Neil Manthorp;
  - Stuart Hess; and
  - Telford Vice.
- 5.6.11.1.2. Mthembu and Gaofetoge revoked accreditation of the above-mentioned five journalists on 25 November 2019 upon instructions from Moroe;
- 5.6.11.1.3. In revoking media accreditation of the five journalists, Moroe failed to promote and protect the interests, activities and welfare of CSA in contravention of clause 4.1 of his contract of employment;
- 5.6.11.1.4. Moroe failed to act in the best interest of CSA in contravention of section 76(3)(b) of the Companies Act in that he revoked media accreditation of the five journalists;
- 5.6.11.1.5. Gaofetoge instructed Daryl Baruffol to inform the respective cricket ticket officers of the revocation of the media accreditation of the five journalists;
- 5.6.11.1.6. Gaofetoge reinstated the accreditation of the five journalists on 2 December 2019 following media onslaught and concerns raised on social media;
- 5.6.11.1.7. Various sponsors, including Standard Bank, Momentum, Sunfoil, KFC raised their dissatisfaction about the manner in which CSA handled the revocation of media accreditation of the five journalists;
- 5.6.11.1.8. The revocation of the journalist's media accreditation denigrated or harmed the public image (reputation) of Cricket or CSA in contravention of clause 2.1 of the CSA's Code of Conduct;
- 5.6.11.1.9. The revocation of the journalist's media accreditation brought CSA's name into disrepute with various sponsors expressing their concerns about developments at CSA; and
- 5.6.11.1.10. CSA Media Guidelines Policy and Protocols as well as the CSA Accreditation Policy do not provide for circumstances in which revocation of media accreditation could be exercised.

#### 5.6.12. **Recommendation relating to revocation of media accreditation**

5.6.12.1. Based on the conclusions discussed above, we recommend that CSA Board considers the following:

5.6.12.1.1. Instituting disciplinary action against Moroe for revocation of media accreditation in contravention of the following:

5.6.12.1.1.1. Section 76(3)(b) of the Companies Act;

5.6.12.1.1.2. Clause 2.1 of the CSA Code of Conduct; and

5.6.12.1.1.3. Clause 4.1 of his employment contract.

5.6.12.1.2. Review and update CSA Media Guidelines Policy and Protocols as well as the CSA Accreditation Policy to outline the processes to be followed in addressing an impasse between CSA and Media.

#### 5.7. **RELATIONSHIP WITH SACA**

5.7.1. We understand that the South African Cricket Players' interests within CSA are represented by SAPCT. The SAPCT had nominated SACA to represent the interests of players within CSA. SACA is therefore a major stakeholder in cricket matters in South Africa.

5.7.2. Based on our review of documentation provided to us by CSA, we understand that SACA was not satisfied with the manner in which CSA handled the matter of payments of players' license rights in respect of the 2018 Mzansi Super League ("2018 MSL"). We further understand that the relationship between SACA and CSA reached an all-time low following CSA's decision to restructure domestic cricket.

5.7.3. We discuss below the relationship between CSA and SACA flowing from interactions relating to the 2018 MSL and the restructuring of domestic cricket.

#### 5.7.4. **2018 MSL**

5.7.4.1. Based on the review of documentation provided to us, we understand that the 2018 MSL also known as the T20 Mzansi Super League was established in 2018 and is owned by CSA. The 2018 Mzansi Super League followed the cancellation of the T20 Global League.

5.7.4.2. We determined that CSA entered into an agreement with SAPCT and SACA on 21 November 2018. According to clause 2.1 of the agreement, which was entered into between CSA, SAPCT and SACA, the "*Cricketers have exclusively licenced to SAPCT*

*the rights to utilize their appearances and content performances and their cricketer attributes rights for use in a league context and team context in association with the league including the right to sublicense such rights to the league, league sponsors, team and team sponsors.*

- 5.7.4.3. According to clause 2.2 of the agreement “CSA wishes to use the rights to promote, market, endorse and/or enhance the league and/ or the association of league sponsors with the league as well as to promote, market and endorse and/or enhance the Teams and/or association of team sponsors with the team”.
- 5.7.4.4. According to clause 7.1 of the agreement” As consideration for licensing the rights granted to CSA by SAPCT, as set out in this agreement, CSA shall pay to SAPCT
- 7.1.1 *the amount of one million six hundred and fifty thousand rand (R 1 650 000) plus VAT, which payment shall be made on or before 9 November 2018; and*
- 7.1.2 *all amounts credited to the League Fund as at the end of the Edition, after payment of medical Insurance amounts related to Cricketers designated as overseas Marquee Cricketers (and any other amounts as may be agreed in writing by CSA and SACA), and any such amount shall be paid within seven (7) days of the end of the Edition.*
- 5.7.4.5. We understand that the duration of the MSL was from November 2018 to December 2018. As per the agreement, CSA had to pay SACA all amounts due within seven days of the end of the edition.
- 5.7.4.6. On 4 January 2019, Maxwell Jordaan (“Jordaan”), Transformation and Member Relations Executive, sent an email to, inter alia EXCO and Moroe regarding Mzansi Super League Commercial Right Audit.
- 5.7.4.7. Jordaan indicated that the target date for the audit was 11 January 2019 but that the target date would be missed. It is important to note that the audit was immediately after the completion of the 2018 MSL.
- 5.7.4.8. According to Van Zyl, the audit was to determine the value of the league fund after all the unforeseen expenses for the 2018 MSL were paid.
- 5.7.4.9. On 12 February 2019, Emile Dreyer (“Dreyer”), Commercial Manager at SACA sent an invoice dated 12 February 2019 in the amount of R2 763 635.54 including VAT to Kandan<sup>13</sup>. As will be seen below, there were several correspondences from

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<sup>13</sup> Refer Exhibit 13

SACA requesting payment of the invoice without success. The correspondence in some instances included or were forwarded to Moroe.

**5.7.5. Emails relating to payment of the invoice**

5.7.5.1. On 24 April 2019, Andrew Breetzke (“Breetzke”) of SACA sent an email to Van Zyl enquiring about the outstanding invoice<sup>14</sup>. It appears that at this stage, the relationship between CSA and SACA was strained, such that some protocol was put in place within CSA to manage the relationship between the parties.

5.7.5.2. In an email dated 3 May 2019, sent to *inter alia* CSA EXCO and CSA Managers, Appiah stated the following<sup>15</sup>:

*“Dear All*

*I hope this email finds you well. We kindly request that prior to any engagement with SACA you first discuss the matter internally with the CEO or me. Secondly, we request that all engagements with SACA should be are conducted at CSA with the following members present if it entails one or more of the following:*

- 1) Legal matters - Welsh*
- 2) Transformation - Max*
- 3) Commercial, marketing, communication, media and/or image rights matters - KG*
- 4) Cricket (and or player related) - Corrie*
- 5) HR and personnel matters (involving players) - Musa*
- 6) Finance and Taxation - Ziyanda*
- 7) MoU 18 matters - Welsh, Musa, Corrie, Ziyanda and Nas*

*The above protocol is effective immediately. Any arrangements made in the past but yet to take place will also be governed by the above protocol.*

*Please contact either the CEO or me should you require further clarity”.*

5.7.5.3. Based on the email from Appiah, it appears that there was a discussion between him and Moroe regarding the relationship with SACA.

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<sup>14</sup> Refer Exhibit 14

<sup>15</sup> Refer Exhibit 15

- 5.7.5.4. On 27 May 2019 at 09h29, Breetzke sent an email to Van Zyl and stated the following<sup>16</sup>:

*“Morning Corrie*

*I refer to our discussions regarding the payment of the MSL Commercial rights payment.*

*You have confirmed that whilst CSA are willing to pay the amount of R1 650m, they are not willing to pay the balance of R753 161, 34.*

*The full amount of R2 403 161,34 comes from the Player Cap. As you are aware, the amount of R753 161,34 was an amount agreed upon by SACA as a compromise to assist CSA in covering the various additional player costs.*

*The failure to pay the full amount of R2 403 161,34 is in breach of the MSL Commercial Agreement entered into between CSA and SACA, and is furthermore contrary to the terms of the Player Arrangements Document.*

*CSA are leaving us with no alternative but to reserve our rights in this matter.*

*Regards*

*Andrew”*

- 5.7.5.5. On the same day i.e 27 May 2019 at 10h08, Van Zyl forwarded Breetzke email discussed above to Appiah, Nkuta, Moroe and Gwaza.

*Dear All*

*In light of the current situation with SACA, please confirm how I should answer, if at all, this - mail I received from Andrew Breetzke this morning concerning the payment of the Commercial Rights for the 2018 MSL.*

*I have informed with them, as agreed with Nas and Ziyanda, that we will pay the agreed R1 650 000.00 (R275k per team) but not the extra approximately R753k that was accumulated from the League Fund. (savings from player replacements).*

*Regards*

- 5.7.5.6. On 27 May 2019 at 12h08, Appiah replied to Van Zyl and copied *inter alia* Moroe. In the said email, Appiah stated that:

*“Dear Corrie*

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<sup>16</sup> Refer Exhibit 16



*I think we have been very clear on what we believe our obligations are and should stick to it. We have also not jointly agreed with SACA on this matter and as discussed the MSL is a new product and thus we should be weary of creating unsubstantiated costs. As discussed and agreed, we should follow our internal protocol around agreeing on financial and other matters (re engagement with SACA). I don't believe the amount in question should be convoluted with the current behaviour of SACA and its negative impact on CSA's brand.*

*Thanks Nas"*

- 5.7.5.7. On 27 May 2019, Van Zyl replied to Appiah's email and copied Moroe. In his email, Van Zyl stated that:

*"Hi Nas*

*Thank you for the quick response. I have expressed our position clearly to them and I will therefore leave it there.*

*As for the way forward, we understand and have all also agreed to the correct protocols going forward.*

*I will therefore not respond to the email and they must do what they feel they need to. They are being ridiculous on all fronts. They are also now bringing the Upgrades into the discussion while this lies outside the PPP and the threshold numbers are not even mentioned in the MOU 18.*

*Regards"*

- 5.7.5.8. On 3 June 2019, Breetzke sent another email to Van Zyl enquiring about the outstanding payment<sup>17</sup>. In the said email Breetzke indicated that it was a final follow up on the payment.

- 5.7.5.9. On 6 June 2019, Van Zyl forwarded Breetzke's email to Appiah, Moroe and Eksteen. Van Zyl indicated to Appiah that<sup>18</sup>:

*"Hi Nas*

*As referred to in passing, please see the below e-mail received again and the attached as discussed.*

*Regards"*

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<sup>17</sup> Refer Exhibit 17

<sup>18</sup> Refer Exhibit 18

5.7.5.10. On 4 October 2019, Tony Irish (“Irish”) sent an email to Eksteen and copied Van Zyl. In the said email, Irish indicated that:

*“Dear Clive*

*I am following up on the various discussions you’ve had with Andrew (and which Corrie had with Andrew before that) on proposals regarding the MSL commercial agreements.*

*We believe SACA has been extremely patient over many months, and demonstrated a real will to assist CSA, in attempts to finalise the payment due to the Players Trust relating to last year’s MSL. This is money due to the players whose rights were used in the event and the players continue to be out of pocket as a result of non-payment of an agreed amount.*

*Regarding the arrangements for this year’s MSL it is obvious that without an agreement with SACA and the Players Trust the MSL and the teams will be without the use of any player commercial rights.*

*I sincerely request that you revert to Andrew to finalise this by Wednesday 9th October 2019, failing which SACA will have no alternative but to proceed with a dispute.*

*Regards*

*Tony”*

5.7.5.11. On 16 October 2019 at 2h45 PM, Irish, Chief Executive of SACA sent an email to Eksteen and copied the Moroe<sup>19</sup>. In the said email, Irish indicated the following:

*“Afternoon Clive*

*I’m following up on the mail below.*

*This issue remains unresolved and SACA now has no alternative but to proceed with notice of a formal dispute over the amount which is due to the players.*

*As pointed out below no agreement has been reached to obtain the players’ commercial rights for this year’s MSL despite the draft cap being reduced to accommodate such agreement.*

*Regards*

*Tony”*

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<sup>19</sup> Refer Exhibit 19

5.7.5.12. On the same day *i.e.* 16 October 2019, Moroe sent an email to Eksteen and copied Gwaza, Pholetsi Moseki (“Moseki”), Van Zyl and Chantal Moon (“Moon”). In the email, Moroe stated the following:

*“Guys,*

*What is happening here? How come I don't know about this? Last year's issue and this has never been reported to at Exco! If there's more money that is due to players by us it also means we have been reporting incorrectly as far as our finances are concerned!?*

*Please sort this out as a matter of urgency & this does not mean phone calls to me! Copying me on your consolidated response to Tony should be enough!*

*I'm not well and now I have this on my table!*

*When I get to work next week this matter must be dealt with, I've copied Welsh and Pholetsi in for you to go to if you need help!*

*Thabang”*

5.7.5.13. On 17 October 2019, Eksteen sent an email to Irish and copied Moroe, Moseki, Van Zyl and Gwaza<sup>20</sup>. Eksteen indicated the following in his email:

*“Dear Tony*

*Thanks for your mail and apologies for the delay in dealing with this.*

*Having discussed this internally we are happy to accept the offer made by Andrew in his mail on the 6th September (see attached).*

*Please forward the invoice for last years MSL through to Ruweida (please copy Corrie and myself). The payment for this year's edition can be done at the completion of MSL 2019.*

*Regards*

*Clive”*

5.7.5.14. On 17 October 2019, Irish replied to Eksteen and copied *inter alia* Moroe. Irish indicated the following in his email:

*“We attach the following:*

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<sup>20</sup> Refer Exhibit 20

1. *Settlement Agreement* – this relates to payment of R2 million plus VAT for 2018 MSL and included as an annexure, for identification purposes, is the commercial agreement relating to 2019 MSL which is the same as the agreement referred to in point 2 below.

2. *2019 MSL Commercial Agreement* – this relates to the licensing of player commercial rights for 2019 MSL and is the same as the 2018 agreement save that it provides for consideration of R2 million plus VAT, payable in two installments.

*Should CSA wish to resolve this matter please initial and sign both agreements (including the initialing of the annexures to both agreements) and return these to us by close of business on Monday 21 October 2019. Given the lengthy delays on the part of CSA so far should the matter not be resolved by signature and return by close on Monday 21st SACA and SAPCT intend to proceed with formal notice under the dispute procedure.*

*The above is without prejudice to the rights of SAPCT and SACA, and should we be required to proceed with a dispute it will be in respect of the full amount as provided for in clause 7 of the 2018 MSL commercial agreement.*

5.7.5.15. On 22 October 2019, Moon sent an email to Moroe, Van Zyl and Eksteen and copied Gwaza and Moseki<sup>21</sup>. Moon enquired in the said email whether she could assume that the matter had been resolved and that a summary was sent to the CEO. Moon further asked whether HR could be removed from the process.

5.7.5.16. Eksteen replied to Moon and copied Moroe, Van Zyl, Moseki and Gwaza. He indicated that he was waiting for legal for final go-ahead and signing of the document.

5.7.5.17. On 23 October 2019, Irish sent an email to Moroe indicating that he had not received a response to his email of 17 October 2019, which was his attempt to resolve the matter amicably<sup>22</sup>. Irish further indicated that he had attached the notice of dispute to his email. Based on Irish's email above, it appears that Moroe and Eksteen did not respond to Irish's email of 17 October 2019.

5.7.5.18. On the same day i.e. 23 October 2019, SACA issued a media statement relating to a dispute about the non-payment of 2018 MSL players commercial rights<sup>23</sup>. CSA could have prevented the SACA media statement if CSA was responsive and decisive in dealing with the unpaid invoice.

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<sup>21</sup> Refer Exhibit 21

<sup>22</sup> Refer Exhibit 22

<sup>23</sup> Refer Exhibit 23

5.7.5.19. On the same day, Moroe forwarded Irish's email for notice of dispute to Moon without stating anything in the email. Moon replied to Moroe's email stating that Gwaza had information about how there was no correspondence from Eksteen and that there are serious charges.

5.7.5.20. We noted that CSA and SACA signed settlement agreement on 29 October 2019. On 31 October 2019, CSA paid SACA an amount of R2 300 000.00.

5.7.5.21. We determined that on 31 October 2019, SACA issued a media statement blaming Moroe for the suspension of three officials as well as the delay in the payment of their invoice.

5.7.5.22. It took CSA over ten (10) months to pay SACA invoice.

#### 5.7.6. **Members Council Meeting of 2 November 2019**

5.7.6.1. During the Members Council meeting of 2 November 2019, Moroe gave background on the strained relationship with SACA<sup>24</sup>. He indicated that during 2018, CSA entered into an agreement with SACA on behalf of the players, however the agreement did not indicate how the commercial rights would be calculated. According to Moroe, Van Zyl, Appiah and Eksteen rejected SACA's invoice.

5.7.6.2. Moroe further reported that in October 2019, Irish wrote a letter of dissatisfaction against Appiah, Eksteen and Van Zyl. Moroe indicated that he requested the three executives to explain how the matter was never brought to EXCO and that the unpaid amount would affect financial reporting.

5.7.6.3. Moroe indicated that the three executives could not provide him with an explanation. Upon consulting with a labour law attorney, he was advised that the three executives had failed to exercise care, skill and diligence and that they should be placed on cautionary suspension pending disciplinary hearing. Moroe indicated that he consulted with the Chairman of the Board and Remco and further that he was advised to follow due processes.

5.7.6.4. The impression created by Moroe in his email of 16 October 2019 to Van Zyl and others as well as his report to the Members Council was that he was not aware of what was taking place all the time regarding the SACA invoice. As discussed above, the CEO was copied as early as May 2019 in an email sent to CSA EXCO.

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<sup>24</sup> Refer Exhibit 24

Based on the said email, EXCO members were aware of the outstanding SACA invoice.

5.7.6.5. Nenzani indicated that Moroe did not inform the Board that the non-payment of the invoice was brought to his attention as early as May 2019.

5.7.6.6. It took Moroe's involvement from 16 October 2019 to 31 October 2019 to resolve SACA's invoice issue and settle it. Moroe was aware of SACA's outstanding invoice as early as May 2019.

5.7.7. **Conclusions relating to relationship with SACA**

5.7.7.1. Based on documentation reviewed and consultations conducted, we conclude as follows:

5.7.7.1.1. CSA entered into an agreement in November 2018 with SACA for the players payments in respect of 2018 MSL;

5.7.7.1.2. The agreement was signed by Moroe and witnessed by Appiah on 21 November 2018;

5.7.7.1.3. Payment to SACA was to be made by end of the edition i.e. December 2018;

5.7.7.1.4. SACA provided an invoice in the amount of R2 763 635,54 (incl. VAT) to CSA on 12 February 2019;

5.7.7.1.5. The following EXCO members were copied on internal emails regarding the non-payment of the SACA invoice:

5.7.7.1.5.1. Moroe;

5.7.7.1.5.2. Moseki;

5.7.7.1.5.3. Gwaza;

5.7.7.1.5.4. Van Zyl; and

5.7.7.1.5.5. Eksteen.

5.7.7.1.6. During October 2019, Irish wrote to Moroe indicating that he had not received any response regarding the unpaid SACA invoice;

5.7.7.1.7. In October 2019, Moroe indicated to CSA officials that he was not aware of the unpaid SACA invoice as this was never reported to EXCO;

- 5.7.7.1.8. Van Zyl informed Moroe of the non-payment of the SACA invoice in May 2019;
- 5.7.7.1.9. Moroe failed to ensure that SACA's invoice was paid timeously;
- 5.7.7.1.10. SACA declared a dispute and issued a media statement due to the non-payment of the invoice by CSA;
- 5.7.7.1.11. CSA could have prevented the SACA media statement if CSA was responsive and decisive in dealing with the unpaid invoice;
- 5.7.7.1.12. It took CSA over ten (10) months to pay the SACA invoice;
- 5.7.7.1.13. CSA suffered reputational damage as SACA released a media statement relating to the non-payment of the invoice;
- 5.7.7.1.14. SACA's invoice remained unpaid until October 2019; and
- 5.7.7.1.15. CSA and SACA reached an agreement to reduce the amount of R2 763 635,54 (incl. VAT) to R2 300 000.00 (incl. VAT);
- 5.7.7.1.16. CSA paid SACA R2 300 000.00 on 31 October 2019 in respect of the 2018 MSL Players' Rights.

**5.7.8. Recommendations relating to relationship with SACA**

- 5.7.8.1. Based on conclusions discussed above, we recommend that CSA Board considers instituting disciplinary action against Moroe for failure to protect the interest of CSA in that he failed to ensure that SACA was paid timeously.

**5.8. ALLEGATIONS OF NON-RESPONSIVENESS BY CSA**

- 5.8.1. It was alleged that CSA and specifically Moroe is non-responsive in that he does not respond to communication or only respond upon several requests. It was further alleged that the reason SACA lodged a case against CSA in respect of Domestic Cricket Restructure was that CSA was not responding to its communication.

**SACA letter dated 24 February 2019**

- 5.8.1.1. We determined that on 24 February 2019, Irish sent a letter to Moroe, Appiah, Van Zyl, Khan and Nkuta regarding Project 654<sup>25</sup>. We determined that in the said letter dated 24 February 2019, SACA requested CSA to reconsider its decision not to

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<sup>25</sup> Refer Exhibit 25

provide financial information relating to Project 654. SACA further requested that if CSA decided not to provide the financial information, written reasons should be provided. It must be noted that the Recognition Agreement provides for sharing of information.

5.8.1.2. We determined that on 25 February 2019, Nkuta sent an email to Khan<sup>26</sup>. In her email, Nkuta referred to a letter she received from SACA regarding their request for detailed calculations on CSA's budget. Nkuta indicated that she was not comfortable to provide SACA with the level of details they required. She further indicated that Project 654 was communicated since July 2018 and SACA was part of the structures (FinCom) in which Project 654 was discussed.

5.8.1.3. On the same date i.e. 25 February 2019, the Moroe sent an email to Khan, Nkuta and Appiah stating that:

*"Hi guys*

*Further to this I have discussed the matter with both the President and his VP. They both shared the same views as management.*

*Kind regards*

*Thabang"*

5.8.1.4. Khan replied to Moroe thanking him and further indicated that the CEO should consult with Professor Steve Cornelius and draft a response letter. We could not find any response from Moroe to SACA in his emails. This despite the fact that Khan had indicated that he, Moroe, should respond to SACA.

#### **SACA letter dated 27 March 2019**

5.8.1.5. On 28 March 2019, Irish sent a letter dated 27 March 2019 to the President of CSA and copied the CEO, Khan and Omphile Ramela ("Ramela")<sup>27</sup>. In the said letter signed by Ramela and Irish, they indicated that SACA had written to CSA on 24 February 2019 but had not received any response to their letter.

5.8.1.6. SACA proposed that PwC conduct a thorough going concern review for the full 4-year cycle. The scope of the review should be jointly agreed and conducted in advance of the 2019 financial audit. The audit would involve thorough

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<sup>26</sup> Refer Exhibit 26

<sup>27</sup> Refer Exhibit 27



interrogation of revenue and expenditure figures and assumptions behind the figures.

- 5.8.1.7. SACA further proposed that in respect of domestic cricket restructure, CSA should provide SACA with financial detail to enable SACA to approach restructuring proposal on a fully informed basis, in particular to the need to restructure, the extent to which restructuring is necessary and the extent to which cost saving is also applied in other areas of business besides that of players.
- 5.8.1.8. On the same date i.e. 28 March 2019, Nenzani sent an email to Moroe, Khan, Appiah and Nkuta<sup>28</sup>. In the email, Nenzani stated that he received a letter from SACA and that he requested that information be sent to him which he would consider as he contemplated his response to the letter. Nkuta replied to Nenzani requesting that she be given time to respond by 29 March 2019.
- 5.8.1.9. On 10 April 2019, Nkuta sent an email to Gwaza and Govender attaching the letters from SACA dated 24 February 2019, 27 March 2019 and her email to Khan dated 25 February 2019 discussed above<sup>29</sup>. In her email, Nkuta stated, *inter alia*, that although CSA had engaged with Irish on the letter dated 24 February 2019, CSA did not have a written response to the said letter. She further confirmed that CSA also did not have a written response to SACA's second letter.
- 5.8.1.10. Nkuta further indicated that SACA was represented in various CSA committees in which Project 654 was discussed. She further indicated that CSA was too transparent in dealing with SACA relating to the issue of Project 654.
- 5.8.1.11. On 10 April 2019, the Moroe sent an email to Ramela and copied Nenzani as well as Williams stating that<sup>30</sup>:

*"Dear Omphile,*

*Attached hereto is an invitation to you and your executive team as part of an ongoing consultation between ourselves on what has been widely reported as "project 654" together with the newly adopted cricket structures.*

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<sup>28</sup> Refer Exhibit 28

<sup>29</sup> Refer Exhibit 29

<sup>30</sup> Refer Exhibit 30

*Secondly, I would really appreciate it if you can indicate to me who would be coming to CEC tomorrow and Friday as we have come to a decision not to invite Mr. Tony Irish anymore purely because:*

*He adds no value to our meetings as CSA*

- We are still waiting for him to invite us to SACA's finance meetings where we want to make sure that all players are being equally well looked after by the union*
- He has over time taken it upon himself to inaccurately report discussions between CSA & SACA to the media*
- He has deliberately tried over time to damage the reputation of this organization*

*I wish to express that CSA has and will always operate as a transparent organization but feel that Mr. Irish has trampled on our kindness enough.*

*The sooner we can get the replacement name the quicker we can arrange for them to join the meetings.*

*Kind regards"*

5.8.1.12. On 10 April 2019, Ramela replied to Moroe and copied the Nenzani, Williams and Irish. In his email Ramela indicated that SACA had full confidence in its CEO, Irish. Ramela further indicated that SACA would be represented by, amongst others, Irish in the meeting that Moroe had requested. He indicated that he, Ramela, signed a letter dated 27 March 2019, containing SACA's concerns on CSA financial situation and that he was still awaiting Moroe's response.

5.8.1.13. On 11 April 2019, Nenzani replied to Moroe's email to Ramela. In his email, Nenzani cautioned Moroe on his choice of words in his (Moroe) letter to SACA, stating that it was unfortunate and lends credence to the narrative that CSA was treating SACA with disdain.

5.8.1.14. On 11 April 2019, Moroe sent an email to Ramela and copied Nenzani, Irish as well as Williams<sup>31</sup>. Moroe apologised to Ramela for late notification of a meeting between CSA and SACA. Moroe indicated in his email that he hoped that CSA and SACA could find a way to address their differences in a cordial and professional way. Moroe further indicated that Irish misrepresent CSA at media, which was not helping anyone.

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<sup>31</sup> Refer Exhibit 31

- 5.8.1.15. Moroe further indicated in his email that *“In addressing the matter of letters sent to CSA, I have to admit that the response to the letters was not in writing but numerous responses as well as meetings have been afforded to Mr. Irish, firstly by me, then Ziyanda (acting CFO), Naasei (COO), Corrie (Head of Cricket Pathways) & Mr. Iqbal Khan (CSA Board Treasurer)”*.
- 5.8.1.16. Moroe’s admission as indicated above confirmed what Nkuta indicated in her to Gwaza discussed above. In her email, Nkuta indicated that CSA did not have written responses to letters from SACA.

**Letter dated 20 November 2019**

- 5.8.1.17. In a letter dated 20 November 2019, addressed to Nenzani and copied to, *inter alia*, Moroe; SACA raised various concerns<sup>32</sup>. The concerns related to *inter alia* non-responsiveness from CSA. SACA indicated that it expressed concerns regarding Project 654 in letters to Nenzani and Moroe but the letters were ignored. SACA further indicated that they were barred from attending CSA FinCom meetings (which SACA has been entitled to attend for approximately the last ten years).
- 5.8.1.18. SACA indicated that shortly after the domestic cricket restructure decision was taken, SACA raised concerns of non-consultation as required by the Recognition Agreement between CSA and SACA. SACA further indicated that its concerns were simply ignored by CSA. As a result, SACA had no option but to launch an application in the High Court for the review and setting aside of the restructure decisions.
- 5.8.1.19. SACA further raised concerns regarding the Mzansi Super League’s financial and commercial aspects as well as its impact on CSA financial. SACA alleged that it has been deprived of financial disclosure relating to the financials of Mzansi Super League. It was further alleged that CSA used the non-signature of the CSA/SACA MSL commercial agreement as a pretext to suspend senior officials’ employees. As a result, SACA indicated that they had encountered problems relating to the unauthorized use of player IP in the Mzansi Super League, which could give rise to a further dispute between the parties.
- 5.8.1.20. SACA indicated that it had attempted to resolve the impasse with CSA in good faith. In this regard a draft agreement was sent to CSA on 26 August 2019. SACA further indicated that despite several follow up attempts by SACA and after

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<sup>32</sup> Refer Exhibit 32

Nenzani had confirmed that Moroe was mandated to reply, CSA refused to respond for a period of seven weeks. According to SACA, CSA's Chief Executive never replied and the response came from the Nenzani.

- 5.8.1.21. We determined that on 20 November 2019, Khan forwarded the said letter from SACA to Moroe. We noted that Moroe forwarded the said letter to Gwaza with the caption, "FYI".
- 5.8.1.22. In an email from Khan to Nenzani, Williams, Cornelius and Moroe; Khan informed the said individuals that much of the information requested by SACA could be provided. Khan further informed the said individuals that he believed however that the requested information was privileged. Khan further indicated that the information sought was the basis on which SACA had taken CSA to court. Khan requested that CSA must commit to responding to SACA's letter to avoid being accused of being non-responsive. We noted that Cornelius concurred with the email from Khan and requested that the Nenzani respond to SACA's letter as soon as possible.
- 5.8.1.23. We determined that on 20 November 2019, Nenzani replied to the said letter from SACA<sup>33</sup>. In the said letter, Nenzani assured SACA of CSA's commitment to addressing matters of mutual concern between CSA and SACA. He, however, indicated that some of the issues raised in the letter from SACA were subject to the court proceedings that SACA had instituted against CSA.
- 5.8.1.24. We determined that on 22 November 2019, Irish replied to Nenzani's letter of 20 November 2019<sup>34</sup>. In his response letter, Irish stated that the issues raised in his letter of 20 November 2019 were not part of the court case and therefore not sub-judice. He indicated in his response that SACA was forced to take legal action because CSA refused to engage on SACA's concerns and neglected to honour terms of signed agreements between CSA and SACA.
- 5.8.1.25. Irish further indicated that CSA's refusal to deal with the concerns raised in his letter of 20 November 2019 demonstrates the same attitude SACA has been receiving from CSA.

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<sup>33</sup> Refer Exhibit 33

<sup>34</sup> Refer Exhibit 34

5.8.1.26. We determined that on the same day i.e. 22 November 2019, More emailed SACA's letter of reply to Gwaza. In the said email, Moroe wrote "*Different tone???*". We further determined that Gwaza replied to More's email and stated the following:

*"well, let's squeeze them."*

#### 5.8.2. **Conclusions relating to allegations of non-responsiveness**

Based on the review of documents and consultations with CSA officials and third parties, we conclude as follows:

- 5.8.2.1. SACA wrote various letters to CSA raising their concerns about Project 654 and domestic cricket restructure.
- 5.8.2.2. The letters from SACA were addressed to Moroe and later to Nenzani.
- 5.8.2.3. CSA did not have written reply to SACA's letters.
- 5.8.2.4. Moroe admitted to not responding to SACA's letters but indicated that the issues raised were discussed in other meetings where SACA was represented.
- 5.8.2.5. Nenzani, Khan, Williams and Cornelius intervened as SACA did not stop sending its letters and accused CSA of being Non-responsive.
- 5.8.2.6. The fact that Nenzani informed Moroe that his conduct lends credence to the fact that CSA was being non-responsive and treating SACA with disdain, is evidence that Moroe was non responsive as alleged.
- 5.8.2.7. Moroe and CSA were non responsive to SACA's correspondences based on the time it took CSA and or Moroe to attend to SACA's concerns.
- 5.8.2.8. The fact that Board members had to intervene in operational matters indicates that Management and/or Moroe failed to respond to SACA accordingly.
- 5.8.2.9. Based on all available information, it is our conclusion that Moroe failed to respond to concerns raised by SACA and contributed to the breakdown in relationship between SACA and CSA.

### 5.9. **DOMESTIC CRICKET RESTRUCTURE**

5.9.1. We understand that CSA embarked on a domestic cricket restructure. We further understand based on a review of documentation that the domestic cricket restructure may also have contributed to the breakdown in relationship with SACA. We discuss below the domestic cricket restructure process.

### **Board Meeting of 1 February 2019**

- 5.9.1.1. During the Board Meeting of 1 February 2019, the CSA CEO reported that following the board's request for management to review the four-year financial budget that was last presented, management had started with the revision process, named Project 654. Encompassed in the process is a detailed review of the current approved budget and forecast for the remainder of the financial cycle ending 2022.
- 5.9.1.2. The CSA CEO further reported that EXCO and Managers have already been engaged on the project and the target was to present a break-even or better net position over the four-year financial cycle, by trimming expenditure and identifying avenues of raising new revenues.
- 5.9.1.3. Pursuant to management's quest to trim expenditure on programmes and in light of Project 654 consideration, CSA recommended that Ram Slam T20 challenge be scrapped as it had proven to be a liability on a number of fronts. CSA's forecast as obtained from experts was that Mzansi Super Leagues model made business sense and would generate handsome returns in the long term. Should the board favorably consider this recommendation, management would ensure that the estate of the Ram Slam was wrapped without delay.
- 5.9.1.4. In his CEO's report dated 30 January 2019, Moroe indicated that relations between CSA and SACA had tremendously improved past the successful conclusion and signing of the MOU 18. Moroe's report further reflected that to this end SACA was consulted and cooperated meaningfully in the drafting of players that participated in the Mzansi Super League tournament. He further indicated that it was gratifying as CSA was keen to maintain cordial relations with all role players involved in cricket. Moroe further indicated that SACA was made aware of the potential impact of project R654m on players.

### **Members' Council 2 February 2018**

- 5.9.1.5. During the Members' Council meeting of 2 February 2018, Moroe indicated that due to Project 654 that management needed to work on, management had undertaken to review the domestic cricket structures and propose new structures to the Board for onward recommendation to Members' Council.
- 5.9.1.6. As part of domestic cricket restructure, Management proposed that the CSA T20 Slam be scrapped after completion of the season as it was a financial burden to CSA. According to Moroe, the scrapping of CSA T20 Slam would assist Management to focus on the Africa T20 Cup and the Mzansi Super League

("MSL"). In its first year of the MSL the revenue generated has been circa R180 million.

- 5.9.1.7. We noted from the minutes of the meeting that Members' Council enquired from Moroe what impact would the scrapping of CSA T20 Slam have on the franchise system, related salary and finance implications as well as potential negative impact on sponsorships. Moroe indicated that the MOU could be revised based on discussions with SACA given the importance of Project 654.
- 5.9.1.8. Moroe further explained that there would be an impact on sponsorship but the various leagues could not be compared nor could there be a comparison with the franchise system for the 6 professional teams, which has total sponsorship on record of R26 million. Moroe indicated that the entire franchise and semi-professional systems would be reviewed
- 5.9.1.9. We noted that the Members' Council supported the proposal by Management to conduct a domestic cricket restructure. We, however, noted that the Members' Council indicated that regarding the scrapping of T20 Slam, more information was required from Management for the Members' Council to ensure an informed decision.
- 5.9.1.10. Based on Moroe's presentation to the Members' Council, the decision to conduct domestic cricket restructure was supported. As per the paragraph 17.28.6, the Members' Council is responsible for consideration and approval of material changes to the competition structures of the CSA's cricket events.

#### **FinCom and CricCom Meeting of 6 March 2019**

- 5.9.1.11. The purpose of the FinCom and CricCom was to provide the special joint meeting with considerations relating to possible domestic cricket restructure in pursuit of Project 654 budget reviews as well as make recommendation for approval by the Board and Members' Council.
- 5.9.1.12. The premise of the domestic cricket restructure was to increase the domestic cricket system into a 12 (future 14) first class affiliate member system. We understand that management compared the financial cost of the 6 Franchise system against the cost of termination of the Franchise T20 competition from 2019/20 onwards.
- 5.9.1.13. According to the minutes of the meeting of FinCom and CricCom of 6 March 2019, the primary drivers taken into account in the 2019 review were:

1. *Financial sustainability: the key driver to addressing this review of the domestic cricket system is the financial position of CSA, given Project 654. Without financial stability, the cricket imperatives cannot be met.*
2. *Commercial viability: The current domestic Franchise 'product' is still not producing the commercial value it was expected to. The establishment of a commercially successful domestic T20 League (Mzansi Super League) is critical and together with international cricket, can become the primary products for commercial and revenue-generating purposes.*
3. *Performance excellence: The need to maintain and ultimately enhance performance and the quality of competitive cricket at the professional level, to ensure the Proteas remain one of the best cricket teams in world cricket.*
4. *Transformation and Access: The continued need to address, in particular, the transformation agenda of CSA, access to cricket for the greater majority of the population and the apparent bottleneck in the pipeline, as well as to provide a greater number of quality playing opportunities to contracted professionals.*

5.9.1.14. It was indicated that Management had considered two realistic options in the competitive and organisational structure of the domestic game considering those factors listed above:

- 1 **Status quo** - Retaining a 6 team Franchise structure with enhanced first- class Senior Provincial Structure;
- 2) A12 (and potentially 14) first-class Affiliate Member structure.

5.9.1.15. According to the minutes of meeting, management considered, *inter alia*, the following in exploring the options listed above:

- The cost of the current domestic cricket system;
- the cost of any structural change and the impact of the MSL on the Franchise T20 competition;
- With the current and improved SA "A" programme, the risk of diluting the quality of cricket and reducing the production of a world class Proteas team is mitigated"
- The objective of increasing access and opportunities would be served by increasing the number of professional teams;



- An increase of coaches at the highest level, which will result in an increase in the pool of professional coaches for consideration for the Proteas teams.

5.9.1.16. According to FinCom and CricCom minutes of meeting, there were a number of other considerations (non-cricket related) that needs to be taken into account, but in light of Project 654 the most important would be the financial considerations, while maintaining the core cricket imperatives.

5.9.1.17. It was indicated that the domestic cricket restructure had a potential saving over the cycle of R71 million. It was further indicated that the costs in the new structure was based on a number of assumptions on player allocations to be agreed with SACA as well as other assumptions on competition structure and costs.

#### **Members' Council Meeting of 6 April 2019**

5.9.1.18. During the Members' Council of 6 April 2019, Management presented its proposal regarding domestic cricket. The meeting took into consideration the discussion of the Special Joint Meeting of FinCom and CricCom of 6 March 2019.

5.9.1.19. The Members' Council, after consideration of the management presentation approved the restructuring of domestic cricket. Effectively this decision meant that Members' Council approved the following:

- *The scrapping of the domestic franchise T20 competition at the end of the current season (30 April 2019) due to cricket specific considerations such as scheduling, competition fatigue, pitch fatigue and player workload and injuries;*
- *The implementation of an integrated professional first-class Affiliate Member competition structure including a Provincial T20 (Africa T20 format), by combining Franchise and Senior Provisional structures into one professional competition structure. The envisaged effective implementation date was 1 May 2020; and*
- *To give effect to point ii) above, the current Franchise System shall be discontinued at the end of April 2020.*

5.9.1.20. According to the Members Council minutes of meeting of 6 April 2019, the implementation of the approved cricket restructure proposal would result in a net reduction of cost by approximately R71 million.

5.9.1.21. As would be seen below, the domestic cricket restructure was placed on hold pending negotiations with SACA. We therefore could not determine whether the net reduction of cost by approximately R71 million could be realised or not.

### **Members Council 2 November 2019**

- 5.9.1.22. Management highlighted that the process of implementing the restructure had been halted due to a pending court case, and that legal advice received was for CSA to refrain from informally engaging with SACA as any form of communication or engagement could be used to disadvantage CSA court case.
- 5.9.1.23. Management acknowledged that the court battle between SACA and CSA was stifling cricket planning as far as contracting of both players and coaches was concerned. Members' Council enquired on what exactly was the basis of SACA's court challenge.
- 5.9.1.24. In response, Management indicated that SACA was of the opinion that since CSA exists for public benefit, therefore decisions taken by CSA were reviewable. CSA maintains its contention in that the relationship CSA has with SACA is not based on public interest precepts, but that it is a contractual one, therefore if any of the parties in a contractual relationship are dissatisfied with the decision taken by the other party, there are avenues to explore in order to resolve the impasse.
- 5.9.1.25. Management indicated that they were exploring other avenues that would enable CSA to implement the restructure with or without SACA but would know whether that option was possible or not around mid-November 2019.
- 5.9.1.26. Members Council acknowledged that though it was difficult at the affiliate level to contract players and coaches it would allow Management to investigate all possible ways that would be in the best interest of South African Cricket.
- 5.9.1.27. Members Council expressed their disappointment with SACA's decision to take the matter to court as their intentions and plans and commitment were transparently communicated to SACA. Members' Council was of the opinion that the court action had prejudiced the players, coaches and other stakeholders.
- 5.9.1.28. Council Members reiterated that as things stood, they stood by their resolution to restructure domestic cricket and would await Management to brief them on developments and the outcome of their exploration of amicable solutions to this impasse.

### **Members Council Meeting of 6 December 2019**

- 5.9.1.29. During the Members Council Meeting of 6 December 2019, the CSA President indicated that the relationship between CSA and SACA reached an all-time low following the decision to restructure domestic cricket by CSA.

5.9.1.30. We understand based on the minutes of the said meeting that SACA's contention was that CSA did not comply with the prescripts of MOU 18 and the Recognition Agreement regarding extensive consultation when CSA desired to implement changes to the structure of domestic cricket. These sentiments were disputed by CSA citing that SACA were part of the Cricket Committee and FinCom and were therefore part of the decision-making structures that authored the new format of domestic cricket.

5.9.1.31. Nenzani reported that the Board sent a delegation constituting of the President, Vice-President, the FinCom Chair and Moroe to meet with SACA representatives and the following were identified as the major points of contention by SACA:

- *that the financial position CSA portrayed to the public was not a true reflection of the state of affairs; and*
- *the decision to restructure of domestic cricket would negatively affect approximately 70 (seventy) players.*

5.9.1.32. According to the minutes of the meeting, Nenzani indicated that CSA's delegation agreed with SACA on the following:

- *that CSA's External Auditors would provide SACA with a going-concern assessment for the next four years however SACA would contribute to the process of the formulation of the going-concern assessment; and*
- *that there would be an engagement process between the two entities facilitated by an external party to moderate the discussions between CSA and SACA.*

5.9.1.33. Nenzani indicated that when EXCO informed CSA's Legal Counsel on the proposal agreed with SACA, Counsel advised against any form of consultation with SACA as it might significantly disadvantage CSA's defense on the impending court case, hence the current impasse between SACA and CSA.

5.9.1.34. Nenzani further reported that he wrote to SACA indicating CSA's unwavering commitment to resolving the vexatious issues between the two entities however the pending court case instituted against CSA by SACA proved to be a limitation to further engagements with SACA.

5.9.1.35. To further aggravate the tension between SACA and CSA was the image rights that were not paid to the players for the 2018 MSL tournament, which subsequently resulted in the suspension of the three CSA Senior Executives Appiah, Eksteen and van Zyl.

- 5.9.1.36. We noted that following the suspension of Appiah, Eksteen and Van Zyl, they were all subjected to disciplinary hearings. Both Appiah and Eksteen were dismissed following disciplinary hearings. Van Zyl was sanctioned to final written warning.
- 5.9.1.37. Nenzani further reported that SACA claimed to have written two letters to the head of Commercial at CSA complaining about the Players attributes that were being used in India Fantasy League, which CSA indicated that they had requested India to cease using the Player's attribution rights without any commercial benefit.
- 5.9.1.38. The compounding of all the issues further put additional strain on the relationship between CSA and SACA.

#### **Joint Members Council and Board meeting of 16 December 2019**

- 5.9.1.39. During the joint Members Council and Board Meeting of 16 December 2019, Dave Richardson (“Richardson”) reported on the engagement he and the Acting CEO, Dr Jacques Faul (“Faul”) had with SACA. He emphasised to Council and Board Members that a discussion of the structure of cricket needed to be prefaced by thorough understanding of the financial position of CSA and the landscape cricket was operating under.
- 5.9.1.40. Richardson further indicated that his study of the data on the forecasts of revenues and expenses, statistics and figures on the restructure of domestic cricket were gravely concerning and reported that the data is marred with inconsistencies and errors.
- 5.9.1.41. He continued to report that though he appreciated the fine balance that Council and Board Members are responsible of keeping, ensuring that there was quality cricket and that cricket was financially sustainable and that there was development of the sport throughout the country, however the landscape of cricket had changed drastically globally, and that necessitated making of tough decisions.
- 5.9.1.42. Richardson cautioned that since there were no clear facts of what the financial standing of cricket in South Africa was, it would be futile to discuss whether the decision to restructure domestic cricket was viable or not. He recommended that the first point of departure would be to unpack and fully understand the current financial state of CSA and that process might need to begin with an independent re-audit of the financial position of CSA.

- 5.9.1.43. Richardson indicated that he was of the opinion that CSA needed to formulate a better working relationship with SACA, because SACA enjoys the support of the public as they represent players. He added that SACA's request for extensive consultation was not unreasonable. Richardson implored the Council and Board Members to heed SACA's call to review the decision to restructure domestic cricket until there was a clear understanding of the financial position of CSA and more accurate assumptions.
- 5.9.1.44. Based on the Minutes of Meeting of Joint Members Council and Board of 16 December 2019, we understand that Council Members enquired whether in the event they rescinded the decision to restructure domestic cricket, what would be the alternate format and whether it would not put worse financial strain on CSA coffers.
- 5.9.1.45. In the said minutes of meeting, Richardson explained that the financial assumptions that were used to support the restructure of cricket needed to be interrogated robustly to ascertain whether the restructure was indeed the better option, because there was a possibility that the assumptions were incorrect. Richardson recommended that should the Council decides to rescind the decision then the current format would continue to be played.
- 5.9.1.46. According to the minutes of the joint Members Council and Board meeting of 16 December 2019, Faul indicated that the income assumptions were grossly overstated and as a result significantly affected the overall financial picture. Richardson reported that in their engagement with SACA, they reached an agreement that CSA Members' Council needed to rescind the decision to restructure domestic cricket and SACA would in turn permanently withdraw their court challenge against CSA.
- 5.9.1.47. After a robust discussion there was no agreement to rescind the decision without a formal submission to the Council for consideration. The Members Council requested that a working group be formed that would provide them with assumptions that have been reworked taking into consideration the timing difference between the initial decision and the current landscape
- 5.9.1.48. Faul highlighted risks associated with not rescinding the decision to restructure domestic cricket as follows:
- *Contracting players for the next season would be impossible as SACA would interdict the contracting according to the Recognition Agreement; and*

- *In the event CSA loses the case, inevitably restructuring would not continue.*

5.9.1.49. The Members Council resolved the following:

- *That there would be an establishment of a working committee that would comprise of: Dave Richardson as the lead, the CFO, Chairman of Cricket Committee, Chairman of the Audit and Risk Committee, Independent External Auditors and SACA representative. Should they require more members they would have the liberty to call on resources to enable them to function optimally.*
- *The working group was mandated to relook at the foundation issues being the financial assumptions that led up to the decision to restructure domestic cricket and draw up new assumptions taking into consideration the constantly changing landscape.*
- *The working group is to report back to the Council and Board Members by latest 25 January 2020 with recommendations on whether the decision to restructure domestic*
- *cricket was a viable and a financially sound option or not.*
- *Upon receiving the report Member's Council would consider the report and would therefore be in a better position to make the decision whether the decision to restructure domestic cricket would be rescinded or not.*

5.9.1.50. During our consultation with Nenzani, he indicated that CSA rescinded its decision to restructure domestic cricket and enter into discussions with SACA. This placed a halt on the implementation of the domestic cricket restructure as approved in the Members' Council meeting of 6 April 2019.

5.9.1.51. Based on our review of FinCom and CricCom minutes of meetings, we determined that SACA was represented in meetings in which Domestic Cricket Restructure was discussed.

## 5.9.2. **Conclusions relating to Domestic Cricket Restructure**

Based on documentation reviewed and consultations conducted with CSA officials and third parties:

5.9.2.1. As part of Project 654, Board mandated management to conduct a review of Domestic Cricket Restructure to save costs;

5.9.2.2. Members' Council supported the decision to conduct a review of the Domestic Cricket Restructure;

- 5.9.2.3. Management presented a proposal to the Board and Members' Council to increase the number of teams from 6 to 12 teams;
- 5.9.2.4. SACA did not agree with CSA's proposal to restructure citing non-consultation by CSA and possible impact on its members;
- 5.9.2.5. SACA took CSA to court to rescind CSA's decision to restructure Domestic Cricket;
- 5.9.2.6. CSA engaged with SACA and rescinded its decision to implement the Domestic Cricket Restructure

#### 5.10. **PROJECT 654**

- 5.10.1. We understand that CSA functions on a four (4) year financial cycle forecast, which is aligned to the ICC cycle. At the Board meeting held on 28 July 2018, management presented CSA's four year forecast with a cumulative forecasted loss of R654 million (hence project 654).
- 5.10.2. At the said Board meeting, management was tasked to revise and resend the forecast to FinCom for its consideration. The recommendation was that costs needed to be cut down and/or additional revenues generated to bring the four-year financial forecast down to a break even or better in order to sustain the business.
- 5.10.3. In an effort to understand the reason behind the forecasted four-year loss, management indicated that the following were the reasons that led to the projected loss:

##### **Revenue**

- 5.10.4. Management indicated that CSA's operations are funded mainly by revenues generated from TV sales, sponsorships and ICC distributions. The sale of TV rights to International broadcasters made up more than 50% of CSA's total revenue. The sale of TV rights fluctuates between budgets due to fluctuating foreign exchange rates.
- 5.10.5. Management attributed the loss of revenue to decreased foreign/ international purchasing of TV rights by Broadcasters, diminishing FTP, the macroeconomic factors and the competition from social media such as Facebook TV and Instagram TV. Management further indicated that failure to cultivate strategic relationships with the top three countries contributing to international Broadcast rights (mainly India) had a detrimental effect of CSA's FTP income outlook.

5.10.6. According to management, the above resulted in the loss of R342 million that had been budgeted due to the diminishing FTP.

### **Sponsorships**

5.10.7. Management indicated that CSA's failure to secure sponsorship renewal also contributed to the forecasted loss.

### **Termination of Champions League (CLT20)**

5.10.8. Management further indicated that termination of Champions League (CLT20) in 2015 had a direct impact on revenue in that lower revenue of R70 million was forecasted instead of R428 million in the previous cycle.

5.10.9. According to management, as per Paper presented to FinCom on 6 March 2019, foreign exchange fluctuations also contributed to forecasted loss. The failure by franchises to be self-funding and relying on CSA for funding was also identified as a factor contributing to the forecasted amount. The domestic League T20 also did not commercialize as intended.

5.10.10. We noted that management also referred to the introduction of Project 2020 PPP, Focus Schools and Coach educations as a factor as well for declining revenues.

5.10.11. Management further indicated that operational costs also escalated based on a number of initiatives (special projects) introduced which CSA made commitments without any direct revenues being raised from the projects.

5.10.12. The implementation of the operating model resulted in member in increased Member distribution for the 2014/15 to 2017/18 financial cycle.

5.10.13. Based on the Paper presented to FinCom on 6 March 2019, Management indicated that costs related to players were revised upward, resulting in increases of about R13 million per year on Senior Provincial Contracts as well as women's cricket.

5.10.14. In its review process, management focused on revenue enhancement and cost optimization as follows:

- 5.10.14.1. Review of budgets for current financial year and forecasts for the next three years;
- 5.10.14.2. Retention and enhancement of current revenue sources;
- 5.10.14.3. Restructuring of the domestic cricket system and competitions; and
- 5.10.14.4. Introductions of new revenue streams.



- 5.10.15. Management indicated that as part of implementing revenue enhancement and cost optimizations, the following would be implemented:
- 5.10.15.1. Placing a halt on standard inflationary increases on operational costs on:
    - 5.10.15.1.1. Match fees for all match officials;
    - 5.10.15.1.2. Travel;
    - 5.10.15.1.3. Member Distributions;
    - 5.10.15.1.4. General uncommitted costs.
- 5.10.16. We further understand that management intended to curtail members' distribution from the addition of 6% to 0% year -on-year, which would have resulted in cost savings of R140 million;
- 5.10.17. Management further indicated that halting of special projects would result in savings of R11 million (e.g. stadium upgrades).
- 5.10.18. Restructuring of domestic cricket system. It was envisaged that a net saving of R71 million could be achieved if domestic cricket restructure was implemented.
- 5.10.19. Rebuilding of relationships with top cricketing nations such as India to ensure FTP's; and
- 5.10.20. Strategic appointments as part of the Organizational Design by filling positions that are revenue enhancement positions.
- 5.10.21. During our consultation with Moseki, he indicated that Project 654 was impacted by fluctuation of exchange rate. Moseki further stated that the profitability of CSA could be impacted by the COVID 19 pandemic and its related implications. Khan indicated that the projected loss was reduced substantially.
- 5.10.22. We determined that during the FinCom meeting of 20 November 2019, management presented a progress report on Project 654. Management indicated that whilst forecasting by its nature assumes multiple variables, the forecasted loss was reduced from R654 million to R331 million.
- 5.10.23. Due to the fact that the assumptions applied to reach the projected loss of R654 million as well as the nature of the factors influencing such assumptions are dynamic, we were not able to determine whether the said assumptions were correct or misleading. We further were not able to determine whether the suggested

measures that management intended to implement would have achieved the desired results.

5.10.24. As indicated above, one of management's proposed ways of reducing the forecasted R654 million loss was to implement the domestic cricket restructure. The domestic cricket restructure had been placed on hold subject to engagements with SACA. This may have an impact on Project 654.

## 5.11. APPOINTMENT OF TINANATI - MANAGEMENT AND CONSULTING

5.11.1. We determined that CSA appointed Tinanati-Management and Consulting ("Tinanati") to develop and manage relationships between CSA and the South African National and Provincial Government as well as local authorities (including cities and metropolitan municipalities) (Public Sector Stakeholders) with a view to concluding Revenue Agreements.

5.11.2. In an email dated 26 October 2018, Appiah indicated that the appointment of Tinanati was made by Moroe<sup>35</sup>. It must be noted that this appointment was made as early as September 2018, barely three months after Moroe was appointed the CEO of CSA. We were not provided with documentation relating to the process followed in the appointment of Tinanati.

### 5.11.3. CSA's Organisational Design

5.11.3.1. We determined that in 2017, CSA embarked on an Organisational Design program with the assistance of an external Service Provider, 21st Century.

5.11.3.2. We determined from a review of minutes of a Board meeting held on 2 June 2018 that the Board inter alia deliberated on whether the Government Relations Coordinator position was required as part of the Organisational Structure. The Board resolved to leave the position in place.

5.11.3.3. Based on the review of email communication, we determined that on 26 October 2018, Appiah wrote an email to Nolan and Janse Van Rensburg and copied Moroe and Nkuta.

5.11.3.4. According to the email, Appiah indicated that Moroe had appointed Tshotwana as CSA's Government Relations and Infrastructure

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<sup>35</sup> Refer Exhibit 34

Executive Consultant (GRI). Appiah indicated that Tshotwana's appointment was within the Organisational Design Structure. In his email, Appiah indicated that Moroe had opted to fill the role with a Consultant and not a full-time employee for various reasons.

5.11.3.5. Appiah invited Janse van Rensburg and Nkuta to engage Moroe if they also required the said reasons.

5.11.3.6. In his email, Appiah indicated that at the time, a contract between Tshotwana and CSA had not been concluded as certain terms were still under discussion.

5.11.3.7. An agreement was concluded between CSA and Tinanati, an entity through which Tshotwana would be rendering the services to CSA.

#### 5.11.4. **Procurement of Services**

5.11.4.1. In terms of clause 3.4.1(e) of the Procurement Policy and Procedures, all estimated expense from above R1 million should be considered for tender.

5.11.4.2. Based on the review of the agreement as will be discussed below, the agreement between CSA and Tinanati was above R1 million.

5.11.4.3. According to paragraph 3.4.2 of the Procurement Policy and Procedures, a deviation from the tender process requires the approval of the CFO/CEO and the Chairman of FinCom. Deviation is only to be used if justified and the necessary approval has been obtained prior to any costs being incurred within the provisions of the DOA.

#### 5.11.5. **The Agreement between CSA and Tinanati**

5.11.5.1. According to the agreement entered into between CSA and Tinanati dated 20 March 2019, the duration of the agreement was 1 October 2018 to 31 October 2019<sup>36</sup>. The agreement was signed by Appiah and Tshotwana on 20 March 2018 on behalf of CSA and Tinanati respectively.

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<sup>36</sup> Refer Exhibit 35

5.11.5.2. According to the delegated purchase authorisation level contained in the Procurement Policy and Procedure, all purchases above R2 million but below R5 million needed to be authorised by Moroe.

5.11.5.3. According to the agreement, the following were the services to be rendered by Tinanati:

*“1.1 Develop and manage relationships between CSA and the South African national and provincial Governments as well as local authorities (including cities and metropolitan municipalities) (Public Sector Stakeholders) with a view to conducting Revenue Agreements, including*

*1.1.1 managing communications with Public Sector Stakeholders;*

*1.1.2 leveraging on relationships with Public Sector Stakeholders to deliver Revenue Agreements;*

*1.1.3 ensuring that cricket in general and cricket funding especially is always in front of mind of Public Sector Stakeholders;*

*1.2 identify and analyse Public Sector Stakeholders’ budget and funding requirements and priorities for sports and use commercially reasonable Endeavours to procure that a reasonable portion of such funding is directed towards cricket by way of conclusion of Revenue Agreement, including:*

*1.2.1 ensuring that the views and perspective of CSA are appropriately conveyed to Public Sector Stakeholders and taken into account by them;*

*1.2.2 ensuring that Public Sector Stakeholders are aware of CSA funding requirements and priorities; and*

*1.2.3 ensuring that Public Sector Stakeholders are always up to date on major cricket events;*

*1.3 procure the conclusion of Revenue Agreements for the delivery of cricket infrastructure and facilities across the country; and*

*1.4 develop and execute CSA’s Public Sector Stakeholder strategy. “*

5.11.5.4. We noted that as per agreement, the consultancy fee was indicated as an amount of R220 000.00 per month.

5.11.5.5. Clause 7 of the agreement provided that Tinanati shall in respect of each period of six months during the term of the agreement present to CSA for its consideration and execution Revenue Agreement(s) from

which CSA shall derive a net financial benefit of at least R30 000 000.00 (thirty million). According to Gwaza, no revenue agreements were presented to CSA.

5.11.5.6. Clause 7.2 of the agreement provides that in the event that Tinanati fails to comply with the provisions of clause 7.1, CSA shall be entitled to terminate the agreement. The agreement further provided that the parties shall on a bi-annual basis, review the implementation of the agreement, including the performance of Tinanati against its obligations.

5.11.5.7. We noted that the agreement indicated that after each review, CSA may in its sole discretion:

- *“terminate the agreement,*
- *revise the scope of the Services by decreasing or increasing the number of Services and/or;*
- *revise the Consultancy fee by increasing or decreasing the Consultancy Fee or amending the structure or any other element of the Consultancy Fee”.*

#### 5.11.6. **Payments made to Tinanati**

5.11.6.1. We reviewed the invoices from Tinanati and corresponding payments made by CSA. We determined that the first invoice was dated 17 September 2018 for R220 000.00. The invoice was dated prior to the effective date of the agreement which was 1 October 2018.

5.11.6.2. The amount of R220 000.00 was paid on 29 October 2018. The invoice was therefore dated and paid before the contract could be finalized. The agreement was signed on 20 March 2019.

5.11.6.3. We determined that during the period September 2018 to December 2019, Tinanati was paid R3 490 036.92. We were however provided with only 13 invoices submitted by Tinanati totaling R3 019 244.82<sup>37</sup>. We were therefore not provided with invoices totaling R470 792.10. We reviewed the invoices and determined that save for invoices 00319,

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<sup>37</sup> Refer Exhibit 37

00400 and 00401; no details of services rendered were included in the invoices.

No.	Date	Invoice No.	Description	Amount (R)
1.	17 Sep 18	00279	Consulting services	220 000,00
2.	25 Oct 18	00319	Retainer fees, Dispensation cost and expenses	274 741,76
			Accommodation	
			Flights	
			Ground transport	
			Meetings	
3.	24 Nov 18	00400	Retainer fees, Dispensation cost and expenses	255 295,16
			Accommodation	
			Flights	
			Ground transport	
			Meetings	
4.	19 Dec 18	00401	Retainer fees, Dispensation cost and expenses.	289 207,90
			21 - 22 November 2018 - consultations with Members of Parliament, Old Assembly Building, Parliament of the Republic of South Africa. (2)	
			23 November 2018 - Consultations with Members	

No.	Date	Invoice No.	Description	Amount (R)
			of Parliament, Taj Hotel, Wale Street, Cape Town. (1)	
			27 - 29 November 2018 - Consultations with Portfolio Committee and Select Committee Chairpersons, Old Assembly Building, Parliament of the Republic of South Africa. (3)	
			30 November 2018 - Consultations with Portfolio Committee and Select Committee Chairpersons, Marcos African Hotel. (1)	
			04 December 2018 - Meeting with Mr. Nigel Pillay - Senior Wealth Manager - Standard Bank Group, Old Mutual Park, Pinelands (Mzansi T20 Super League). (1)	
			05 - 07 December 2018 - Nelson Mandela Bay Municipality and Bay TV Meetings, Radisson Blu, NMB Municipal Offices & Kwano's Meat Corner, Mabandla Street, Kwa Nobuhle. (3)	
			11 - 13 December 2018 - Officials of Home Affairs and the South African Police	

No.	Date	Invoice No.	Description	Amount (R)
			Service, Brackenfell and Parliament. (3)	
			14 - 15 December 2018 - Community mobilization engagements with structures and leadership in Khayelitsha, Gugulethu, Paarl, Atlantis, Langa and Mitchells Plain for T20 Final at Newlands. (2)	
			18 - 19 December 2018 - Meetings with Sport Ministry, Senior Officials of Sports and Recreation South Africa and National Treasury	
5.	21 Jan 19	00402	Retainer fees	220 000,00
6.	20 Feb 19	00421	Retainer fees	220 000,00
7.	20 Mar 19	00403	Retainer fees	220 000,00
8.	23 Apr 19	00501	Retainer fees	220 000,00
9.	20 Jun 19	00525	Retainer fees	220 000,00
10.	22 Jul 19	00544	Retainer fees	220 000,00
11.	20 Aug 19	00547	Retainer fees	220 000,00
12.	20 Oct 19	00552	Retainer fees	220 000,00
13.	20 Nov 19	00554	Retainer fees	220 000,00
<b>Total</b>				<b>3,019,244.82</b>



- 5.11.6.4. During our consultation with Tshotwana, he indicated that he was head-hunted by Moroe and Appiah for the position. He further indicated that he had delivered according to the agreement. Tshotwana indicated that he produced reports which were submitted to Appiah. We have not consulted with Appiah as he indicated that there were contractual issues between him and CSA. We further had not consulted with Moroe.
- 5.11.6.5. Gwaza indicated that during his review of the agreement between CSA and Tinanati, he could not find reports confirming that Tshotwana had delivered according to the agreement. Gwaza indicated that the contract was not renewed due to failure by Tshotwana to deliver as per the terms of his contract.
- 5.11.6.6. We noted that on 18 December 2019, Faul queried Tinanati's December 2019 invoice. Schoeman suggested to Faul to go back to the approval/signature of the contract and determine how long the payments have been made and who approved the said payments. After discussions with Cornelius, Nenzani and Cornelius; Faul decided to terminate the agreement with Tinanati.
- 5.11.6.7. According to the Vat legislation, a person is obliged to register as a value-added tax ("VAT") vendor where such person makes taxable supplies (comprising of standard and zero-rated supplies) in excess of R1 million in a consecutive period of 12 months. Based on the contract value between CSA and Tinanati, CSA were aware that the threshold would be above the mandatory value for registration. CSA should have requested Tinanati to provide proof of registration as a VAT Vendor.
- 5.11.6.8. In response to an extract from our draft report provided to him, Gwaza indicated that he was not involved until he was asked to assist in drafting the renewal agreement. Gwaza further indicated that he does not know whether CSA derived any benefit from Tinanati but that he was informed that Tinanati was responsible for bringing in sponsorship from National Lottery and VISA application for foreign teams.

5.11.6.9. We were not provided with evidence of the Revenue Agreements that were required in terms of clause 7 of the Agreement. We were further not provided with proof that the agreement was reviewed to determine performance of the consultant during the contract period. As indicated above, CSA had a discretion to terminate the agreement upon review of Tinanati's performance.

5.11.6.10. Based on the review of the agreement as well as the funds paid to Tinanati, CSA should have exercised its discretion to terminate the agreement much earlier as there was non-compliance with the Revenue Agreements provision.

5.11.6.11. Gwaza indicated that the contract was not renewed as the Acting CEO did not agree with the agreement and the value derived from the relationship.

#### **5.11.7. Background Searches on Tinanati Management and Consulting (Pty) Ltd**

5.11.7.1. We conducted background searches on Tinanati. We determined that Tinanati with registration number 2015/265682/07 was registered on 29 July 2015. The sole director of Tinanati is Unathi Matthew Tshotwana. Tinanati's registered business address is 29 Mahonie Avenue, Kleinbron Estate, Cape Town.

#### **5.11.8. Conclusions relating to the appointment of Tinanati management and consulting**

5.11.8.1. Based on documentation reviewed and consultations conducted, we conclude as follows:

5.11.8.1.1. CSA entered into an agreement with Tinanati for the development and execution of CSA's Public Sector Stakeholder Strategy, including securing revenue agreements;

5.11.8.1.2. The agreement was signed on 20 March 2019 by Appiah on behalf of CSA;

5.11.8.1.3. There is no evidence that a procurement process was followed in the appointment of Tinanati;

5.11.8.1.4. There is no evidence that a deviation process was followed in the appointment of Tinanati;

- 5.11.8.1.5. There is no evidence that the agreement was reviewed bi-annually as provided for in the agreement;
- 5.11.8.1.6. Tinanati was required to provide revenue agreements in terms of which CSA would derive a net financial benefit of at least R30 million bi-annually;
- 5.11.8.1.7. There is no evidence that Tinanati provided CSA with revenue agreements as included in the contract;
- 5.11.8.1.8. There is no evidence that CSA reviewed the performance of the agreement was done;
- 5.11.8.1.9. CSA paid Tinanati a total of R3 490 036.92 in respect of the agreement. There is no indication of how CSA considered whether Tinanati had delivered on its obligations; and
- 5.11.8.1.10. Appiah and Moroe caused CSA to pay Tinanati R3 490 036.92 without following required procurement processes.

**5.11.9. Recommendations relating to the appointment of Tinanati management and consulting**

- 5.11.9.1. Based on the conclusions discussed above, we recommend that CSA Board considers the following:
  - 5.11.9.1.1. Instituting disciplinary action against Moroe for contravening 3.4.1(e) in that he failed to follow procurement processes in the appointment of Tinanati;
  - 5.11.9.1.2. Institute disciplinary action against Moroe for contravening section 76(3)(b) of the Companies Act for failure to act in the best interest of CSA in that he caused CSA to pay Tinanati R3 019 244.82 without following Procurement Policies and Procedures.
  - 5.11.9.1.3. Register a criminal case in terms of Section 34 of the Prevention and Combating of Corrupt Activities Act 12 of 2004.

- 5.11.9.1.4. Obtain legal opinion regarding the desirability to institute legal action to recover funds paid to Tinanati in view of no evidence of delivery of services.

## 5.12. STEP-IN RIGHTS AT WPCA AND NWC

- 5.12.1. We noted that clause 12.4.1 of the CSA Memorandum of Incorporation (“MoI”) provides that *“If the Board reasonably believes that it needs to take any action in connection with the implementation of the obligations imposed on the Affiliate Members, Associate Members and Ancillary Members in terms of this MOI and/or CSA Regulations, then the Board shall be entitled to take action in accordance with the provisions of this clause 12.4.”*
- 5.12.2. We further noted that clause 12.4.2. of the MoI reflects that *“The Board shall as soon as possible after determining that action is required to be taken by the Company as contemplated in clause 12.4.1, notify the Affiliate Member or Associate Member in Writing of –*
  - *“ 12.4.2.1. the action it wishes to take;*
  - *12.4.2.2. its reasons for taking such action;*
  - *12.4.2.3. the date when it wishes to commence such action;*
  - *12.4.2.4. the time period (the “Step-In Period”) which it reasonably believes will be necessary for such action; and*
  - *12.4.2.5. to the extent practicable, the effect of such action on the Affiliate Member or Associate Member and its obligations to perform in terms of this MoI and/or CSA Regulations during the Step-In Period”.*
- 5.12.3. Clause 12.4.3. of the MOI further provides that *“Following the service of such notice, the Board shall take such action as notified under clause 12.4.2 and any ancillary action as it reasonably believes is necessary (the Necessary Action) and the Affiliate Member or Associate Member shall give all reasonable assistance to the Company in the conduct of such Necessary Action”.*
- 5.12.4. During the course of our investigations, CSA officials consulted with reflected that there were at least two step-in rights exercised by CSA in terms of the above MoI clauses. The said step-in rights were for the Western Province Cricket Association (“WPCA”) and the North West Cricket (“NWC”).
- 5.12.5. CSA exercised its step-in rights relating to WPCA and NWC following allegations of mismanagement of funds during projects undertaken by the two Associations in

renovating their respective cricket grounds, *i.e.* the Newlands Cricket Ground (“NCG”) and Potchefstroom Cricket Stadium.

5.12.6. The scope of our investigations relates to the processes followed in the exercising of the two step-in rights.

5.12.7. We understand that our mandate relating to step-in is not to conduct an investigation into the allegations that were made and gave rise to the said step-in. Our understanding is that we are required to investigate the role played by CSA Management in providing the CSA Board with the relevant information in order for the Board to make informed decisions to exercise the step-in rights.

5.12.8. In addressing the above, we conducted consultations and reviewed relevant documentation relating to the following concerns raised by some of the CSA Board members:

5.12.8.1. Whether there were step-in triggers and if the said triggers were achieved, alternatively;

5.12.8.2. Whether CSA Management was aware that the step-in triggers were no longer applicable but failed to advise the Board accordingly;

5.12.8.3. The existence of any regular feedback to Board or Board Committees as to the status of Unions/Affiliates being placed under administration; and

5.12.8.4. Declarations of interests relating to all individuals involved in the step-in process as well as approval of loans by FinCom to WPCA.

5.12.9. In the paragraphs that follow below, we discuss the processes and all relevant matters in each of the two step-ins.

#### 5.12.10. **WESTERN PROVINCE CRICKET ASSOCIATION STEP-IN**

##### 5.12.11. **Background**

5.12.11.1. Documentation reviewed and consultations conducted reflect that WPCA was the sole beneficial owner of what is described as Remaining Extent of Erf 144264 Cape Town, Newlands, measuring approximately 4 8430 hectares, the Newland Cricket Ground (“NCG”).

5.12.11.2. We understand that WPCA embarked in a process to develop the NCG and appointed Stefanutti Stocks to carry out the construction work.

5.12.11.3. WPCA formed PropCo as a vehicle to control and manage the Newlands development.

- 5.12.11.4. We understand that Sanlam acquired an undivided 51% share of NCG, with WPCA holding the remaining 49% ownership of the property through PropCo.
- 5.12.11.5. We understand that WPCA held 76% with CSA holding the remaining 24%. Consultations conducted with CSA officials indicate that the organisation held 24% shareholding in PropCo to protect its loans advanced to WPCA.
- 5.12.11.6. We noted that CSA and WPCA entered into a shareholder agreement relating to PropCo. The shareholding agreement was signed by Moroe, Kock and Algin Wagner representing CSA, WPCA and PropCo respectively. Moroe, Kock and Wagner signed the agreement on 12 July 2019, 15 July and 17 July 2019 respectively.
- 5.12.11.7. The issued shares as per the shareholding agreement are reflected as 120 issued shares with WPCA holding 92 shares and CSA holding the remainder 28 shares.
- 5.12.11.8. CSA advanced approximately R87 598 484.00 in loans to WPCA for the NCG development. We understand that CSA became concerned with the way in which WPCA was running the NCG development as it was alleged that there were no proper financial record keeping and further that WPCA was not paying the construction company on time.
- 5.12.11.9. We further understand that the purchase and renovation of the NCG was going to cost WPCA approximately R500 million. CSA was concerned that WPCA was not going to meet its financial obligations as WPCA kept approaching CSA to continuously request additional funding for the project.
- 5.12.11.10. Documentation reviewed reflect that on 6 September 2019 and 7 September 2019, CSA took a decision and resolved to exercise its step-in rights in terms of the MoI. This resulted in CSA placing WPCA under administration and appointing Odendaal as the Administrator.
- 5.12.11.11. We understand that the decision to place WPCA under administration and the appointment of Odendaal as the administrator was only communicated to WPCA in a letter from Moroe dated 20 September 2019, provided to WPCA on 21 September 2019.
- 5.12.11.12. We understand that Odendaal assumed his duties as the WPCA administrator on 21 September 2019, and further that the step-in notice

suspended the operation of the WPCA Board but did not impact the jobs or functioning of any of the staff of WPCA.

#### 5.12.12. Activities preceding CSA decision to exercise step-in rights

##### **Commencement of Newlands Developments**

- 5.12.12.1. In 2003, the WPCA Board took a decision to purchase and renovate the NCG.
- 5.12.12.2. During our consultations with Gwaza, he stated that the cost of the NCG renovation was approximately R500 million Gwaza indicated that CSA was concerned about the magnitude of the project as WPCA had previously never undertaken a project of that magnitude in its entire existence.
- 5.12.12.3. CSA participated in the project as a shareholder of the WPCA. Gwaza, Kock and Dien indicated that WPCA approached Sanlam to be its partner in the acquisition of the land and the purchase of the NCG. We understand that Sanlam's involvement was because of WPCA selling the land utilised for the building and renovation of the NCG to the insurance company.
- 5.12.12.4. As reflected above, we understand that WPCA allocated Sanlam 51 % shareholding in the project, with the other 49 % held by PropCo.
- 5.12.12.5. PropCo was formed by WPCA as a vehicle to facilitate the development of Erf 144264 (the NCG). We understand that PropCo had four (4) directors, three (3) appointed by WPCA and one (1) by CSA. The PropCo directorship composition is reflected in paragraph 7.2.2 of the CSA and WPCA shareholders agreement discussed above.

##### **Appointment of Stefanutti Stocks**

- 5.12.12.6. We understand that the WPCA took a decision to go out on tender to appoint a company that was to provide the construction and renovation work on the NCG. WPCA eventually appointed Stefanutti Stocks for the said services at a cost of approximately R87 598 484.00.
- 5.12.12.7. We were not required, and did not investigate the process followed by WPCA in the appointment of Stefanutti Stocks to provide construction and related works for the NCG.

### **WPCA's loan requests**

5.12.12.8. We understand that the WPCA Board took a resolution to approach CSA and request various loan for utilization during the construction/renovation of the NCG. Dien and Kock, former WPCA CEO and current WPCA President respectively, confirmed that WPCA approached CSA to request loans to assist the Association with funding required for the renovation of the NCG.

5.12.12.9. We understand that CSA advanced loans to WPCA in three tranches as follows:

5.12.12.9.1. R5 million on 11 April 2019;

5.12.12.9.2. R48.9 million in terms of an agreement dated 28 May 2019; and

5.12.12.9.3. R33,698,484 under an agreement dated 6 August 2019.

5.12.12.10. We understand that the three loans reflected above, totaling R87 598 484.00, were in respect of WPCA or its subsidiary's (PropCo) obligations under the NCG development.

5.12.12.11. We understand that CSA followed due process in approving the loans of R48.9 million and R33 698 484.00 advanced to WPCA as reflected above.

5.12.12.12. The process followed in the WPCA loan application of R5 million is discussed in detail below.

5.12.12.13. The CSA Board meeting of 1 August 2019 reflected that CSA had advanced a loan amount of R48.9 million to WPCA and further that WPCA had approached CSA with a further request for an additional R33 million.

5.12.12.14. We noted that the R33 698 484.00 loan was approved on 6 August 2019, five days after the Board meeting of 1 August 2019.

5.12.12.15. We further noted that the minutes of the CSA Board meeting of 1 August 2019 did not refer to the R5 million loan advanced to WPCA on 11 April 2019.

### **5.12.13. Possible conflict of interest in the application of the R5 million loan**

5.12.13.1. Part of the scope of our investigations was to determine conflict of interest and declaration of conflicts in the application and award of loans to WPCA by CSA.

5.12.13.2. We understand that WPCA requested CSA to advance a R5 million loan to WPCA, which is part of the R87 598 484.00 utilised for NCG development.



- 5.12.13.3. Delegation of authority documentation dated January 2012 reflects that CSA FinCom' delegated amount is R5 million and above. The CSA expenditure authority reflects the following:

Title	Authorisation level
F & CA (FinCom)	Above R5 million
CEO	R2 million to R5 million
CFO	R1 million to R2 million
FM	R500k to R1 million
Business Unit Head	Up to R500k

- 5.12.13.4. We were not provided with minutes of the CSA FinCom of 11 April 2019. We were however provided with minutes of the CSA FinCom meeting of 24 April 2019, and noted that they referred to the R5 million WPCA loan approval. We further noted that it was recorded in the FinCom of 24 April 2019 that the purpose thereof was *inter alia* to formally record the resolution passed by FinCom on 11 April 2019 on:

5.12.13.4.1. CSA advance of additional R5 million loan to WPCA to facilitate the WPCA's stadium development project; and

5.12.13.4.2. In line with CSA's Delegation of Authority and Financial Assistance to Members Policy, recommend to the CSA Board for ratification.

- 5.12.13.5. We further understand that the CSA FinCom comprised *inter alia* Khan and Williams, CSA FinCom Chairman and former WPCA President respectively. Williams is the current CSA Vice President.
- 5.12.13.6. Both Khan and Williams confirmed that they were part of the FinCom that presided over the R5 million loan application by WPCA.
- 5.12.13.7. We understand that Williams did not recuse himself from the CSA FinCom process regardless of actual or perceived conflict of interest, as he was the WPCA President prior to Kock's appointment to the position. Williams confirmed that he was WPCA president at the time of the R5 million loan application and decision by CSA FinCom to award the said loan to WPCA.

- 5.12.13.8. During our telephone conversation with Khan, he provided us with e-mail address [mikhan@brimstone.co.za](mailto:mikhan@brimstone.co.za). We noted that Brimstone website listed Khan as the company's Chief Operations Officer.
- 5.12.13.9. We noted that one of the members of the Board of Directors and CEO of Brimstone, Mustaq Ahmed Brey, is reflected as an Independent Director and Chairman of the FinCom of WPCA.
- 5.12.13.10. We could not find any indication that Khan recused himself from Chairing the CSA FinCom that approved the R5 million loan to WPCA even though there may be an actual or perceived conflict of interest.
- 5.12.13.11. The possible conflict of interest emanates from the fact that Brey is Brimstone's CEO. Khan is Brimstone's COO and reports to Brey who is in turn an independent director at WPCA.
- 5.12.13.12. Based on documentation reviewed, we determined that on 26 February 2018 at 21:18, Lindiwe Ndziba ("Ndziba") sent an email to Khan and copied Nkuta. The subject matter reflected "*FinCom and BOD WPCA Loan Approval*". Ndziba indicated the following in her email to Khan:

*"Dear Iqbal*

*I trust this email finds you well*

*Following the FinCom meeting, I have been considering the potential existence of a conflict of interest. Based on a PwC conflict of interest discussion document that Louis shared earlier this year, I believe there is a potential conflict of interest that needs to be addressed in relation to yourself and the WPCA Loan approval.*

*Although you may be making an objective decision in relation to recommending the loan for approval, as director you need to be careful of a perceived conflict of interest. I'm sure you will appreciate that a perceived conflict needs to be managed with sensitivity.*

*There is no financial gain for yourself in this circumstance but we need to consider the qualitative factors as well. Your relationship with Mr Ahmed could be considered as a material relationship (employee and employer) that could influence your decision in this matter. Although there may not be an actual conflict, there may be a perception that the company issued the loan to WPCA because of your potential influence on the CSA Board and your relationship with Mr Ahmed.*

*It has been recommended (per the PWC discussion document) that where the conflict is not defined by the Act, the director must consider the manner in which the conflict is to be managed. However, it has been suggested that the procedures in terms of Section 75 of the act would be best practice.*

*I would suggest in terms of good governance practice we record your potential conflict of interest in the minutes and further to this, I would recommend you recuse yourself from the decision in accordance with Section 75 of the Act.*

*Kindly consider the above note. Please contact me should you have any concerns. I will be looking forward to your response.*

*Warm regards*

*Lindi"*

5.12.13.13. Sections 75 (5) of the Companies Act reflects that,

If a director of a company, other than a company contemplated in subsection (2)(b) or (3), has a personal financial interest in respect of a matter to be considered at a meeting of the board, or knows that a related person has a personal financial interest in the matter, the director –

- (a) must disclose the interest and its general nature before the matter is considered at the meeting;*
- (b) must disclose to the meeting any material information relating to the matter, and known to the director;*
- (c) may disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors;*
- (d) if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraph (b) or (c);*

5.12.13.14. We determined that on 27 February 2018 at 16:38, Khan responded to Ndziba's email and thanked her for bringing the potential conflict of interest to his attention. Khan further indicated that he could not make a call whether a conflict existed or not.

5.12.13.15. Khan indicated that he would rather be guided by Ndziba in that regard. In his email Khan indicated that he believed that if some suspicion existed, he would rather stay out of the decision. Khan further stated that he was happy to recuse himself from the decision but urged Ndziba to ensure that CSA satisfied the Investec deadline even if such was extended.

- 5.12.13.16. On 28 February 2018, Ndziba responded to Khan's email of 27 February 2018 and indicated that the latter would be the only approver of the resolution when it was released.
- 5.12.13.17. On 3 March 2018, Khan as Chairperson of CSA FinCom, made recommendation to CSA Board to approve the settling of Investec Mortgage Loan of R7.7 million. We noted that Khan did not recuse himself from the FinCom meeting of 3 March 2018 wherein a recommendation was made to the Board to approving the settling of the Investec Mortgage Loan
- 5.12.13.18. We understand that the CSA Board of 3 March 2018 resolved that CSA settles the Investec Mortgage Loan of R7.7 million on behalf of WPCA and convert it into a related party loan, subject to the approval of the consolidation of all WPCA loans and revised payment terms.
- 5.12.13.19. During our consultations with Khan, he confirmed that he chaired the FinCom that awarded the R5 million loan to WPCA.
- 5.12.13.20. Khan further stated that he did not recuse himself from presiding over the R5 million loan application by WPCA as he did not see any conflict of interest, actual or perceived.
- 5.12.13.21. We sent an extract of our findings relating to the potential conflict of interest in the approval of the R5 million loan to WPCA, to Khan for his comments.
- 5.12.13.22. In his written response relating to the possible conflict of interest, Khan indicated that:

*"WPCA, like many associates and affiliates did before, applied for funding to CSA, the mother body, to relief financial pressures they were going through. The financial wellbeing of affiliates and associates is the responsibility of the mother body.*

*The circumstances of the WPCA financial stress originated with a property project that they entered into to try and ensure the sustainability of the union and to reduce their reliance on CSA for funding. The concept was and is a good one as they are located very strategically in Cape Town. They got into a difficult position because certain lease commitments were not finalized with educational institutions and these leases supported the project's sustainability.*

*Management of WPCA applied for temporary funding to CSA in order to facilitate this "timing" mismatch and to ensure that the project would not fail. As it turns out I am told, everything has now been signed and funds have started flowing normally*

*to ensure success. This was before Covid-19. And this was exactly the reason for the temporary funding.*

*The CEO of Brimstone did not apply for this loan but it was management at the time. An evaluation was done by CSA Fincom to assess the opportunity and in fact we liked the investment opportunity to the extent that we were prepared to capitalize all loans owing at the time into an equity contribution of CSA into the project. Also before the said loan, or any other loan, was granted sufficient security was sought and all the relevant liquidity and solvency tests were examined.*

*My boss and the CEO of Brimstone was an independent non-executive director at WPCA at the time the loan was applied for. On the other hand I was an independent non-executive director at CSA. Section 75 clearly states that the director must have a personal financial interest in the matter being considered. Neither, Mr Brey or myself had any financial interest in the loan or the building project. The decision to "bridge" was for the benefit of both WPCA and CSA and this decision was not made by me but it was made by the CSA board and CSA Fincom.*

*So to answer your question, I did not see any conflict of interest in presiding over the loan application"*

- 5.12.13.23. Various individuals consulted with, including Nenzani, Gwaza and Zinn, indicated that there may have been a conflict of interest in Khan chairing the CSA FinCom that awarded the R5 million to WPCA because of the relationship between Brey and Khan as reflected above.
- 5.12.13.24. The email from Ndziba was in 2018, prior to the R5 million WPCA loan application in April 2019. Khan was therefore well aware of the possible and potential conflict of interest that existed in him presiding over the loan application.
- 5.12.13.25. Although Khan may have made an objective decision in relation to FinCom approving the WPCA loan application, (as he stated to us during our consultations with him as well as his comments reflected above) as director he needed to be careful of a perceived conflict of interest. Khan should have done what he did in 2018 and recused himself from the WPCA loan application process.
- 5.12.13.26. Kock indicated that as far as he is aware, Khan did not influence the awarding of the R5 million loan to WPCA through his relationship with Brey. Kock indicated that the WPCA official who played a role in the loan application was Nabeal Dien, WPCA's former CEO.

- 5.12.13.27. Kock stated that Dien told him that he, Dien, had a good relationship with Khan and further that he would talk to Khan to try and influence that CSA approved the loan application.
- 5.12.13.28. Khan however indicated that he or the CSA FinCom was not influenced by anyone in approving the R5 million loan to WPCA.
- 5.12.13.29. During our consultation with Cornelius, he indicated that as a relatively new board member, he trusted Khan's judgment and advice in the matter. Cornelius further stated that if he had known of the conflict, he would most likely not have supported the decision for CSA to become involved in the PropCo project.
- 5.12.13.30. In his response to our questions, Jack Madiseng ("Madiseng") indicated the following *"Let me put it on record that myself and the President of Eastern Cape advised the Board against this partnership and we gave the same reasons that we've experienced the "outcome" today / to date which left CSA with a "stinking" egg on their face"*
- 5.12.13.31. Madiseng further indicated that at the time of the proposal for CSA to partner with Western Province, FinCom comprised the now Vice President, Treasurer and the President of Boland (Williams).
- 5.12.13.32. Madiseng further indicated that the partnership proposal between CSA and WPCA was *"pushed / driven"* by the CSA Vice President and the Treasurer of the Board which in his humble opinion were conflicted due to what he listed as the following:
- 5.12.13.33. *"At the time of the proposal, the Vice President was the President of the Western Province but sat in all meetings (Board and CSA Finance sub-committee) relating to the subject - He only recused himself at our recent Board meeting at OR Tambo"*
- 5.12.13.34. *"Maybe the conflict has been declared according to clause 13 of our Board charter and recorded in our minutes-This can only be proven by records in our minutes (But I would like to rely on the recording and not the minutes and my suspicion is that it has not been recorded and I need to be proven wrong)"*
- 5.12.13.35. *"The CSA's Treasure's Boss / Line Mgr sits on the Western Cape Board - Any decision relating to WPCA, there's a possibility that any discussion / decision could have been channeled through to the Boss / Line Mgr, (This is just my perception and it may not be true) "*

- 5.12.13.36. *“Professor Shirley Zinn is a very good example of responsible leadership, she declared her conflict and recused herself, i'm writing under correction that she serves on the board of Advetec and Sanlam that have a relationship/interest with PropCo”*
- 5.12.13.37. Zinn indicated that she had previously recused herself from any activities that dealt with matters relating to Sanlam and Standard Bank with CSA or any of its affiliates, as she was associated with the two entities.
- 5.12.13.38. We confirmed Zinn’s version that she had previously recused herself from any activities involving inter alia Sanlam, through minutes of a CSA Board Meeting of 1 August 2019 under item 10 relating to the WPCA Property Development.
- 5.12.13.39. It was recorded as follows under the said item 10: *“For the sake of good order, it was recorded that following from the Members Council meeting, the CSA board reconvened to deal with Item 8.4.2. Professor Shirley Zinn recused herself from the discussions having declared serving on both Sanlam and AdvTech Boards”.*
- 5.12.13.40. As discussed above, Sanlam is the 51 % shareholder of the NCG project whereas Standard Bank is one of the current CSA sponsors.
- 5.12.13.41. On 4 December 2019, two days prior to Moroe’s suspension as CSA CEO, Khan presented Nenzani with a notice of his resignation from the CSA Board<sup>38</sup>. From his resignation letter, we noted that Khan highlighted as his main reasons for resigning, *inter alia* the revocation of the accreditation of certain journalists and the *“unsavory”* relationship with SACA.
- 5.12.13.42. We noted that it was further alleged in the media that Khan also indicated that one of the reasons he was resigning from CSA was that the Risk Committee at his place of work had demanded that he resigned from CSA as a matter of urgency, given that his name had been mentioned in some newspaper articles and by association the name of his employer had also been mentioned in a negative light. This aspect is however not in Khan’s resignation letter dated 4 December 2019.
- 5.12.13.43. During our consultations with Williams, he stated that he is the current CSA Vice President. He further stated that he was still WPCA President in April 2019 when WPCA approached CSA for the R5 million loan.

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<sup>38</sup> Refer Exhibit 38

5.12.13.44. We received and reviewed minutes of a WPCA Board Meeting that took place on 7 March 2019<sup>39</sup>. The said meeting was attended by the following individuals:

- 5.12.13.44.1. President: Beresford Williams Chair;
- 5.12.13.44.2. Vice President: Nicolas Kock;
- 5.12.13.44.3. Treasurer: Omar Sunday;
- 5.12.13.44.4. Johannes Adams: Non-Independent Director;
- 5.12.13.44.5. Ashraf Burns: Non-Independent Director;
- 5.12.13.44.6. Fezile Mguqulwa: Non-Independent Director;
- 5.12.13.44.7. Richard Noor: Non-Independent Director;
- 5.12.13.44.8. Mustaq Brey: Independent Director;
- 5.12.13.44.9. Fagmeedah Petersen-Cook: Independent Director;
- 5.12.13.44.10. Itumeleng Langeni: Independent Director;
- 5.12.13.44.11. Suliman Mahomed: Independent Director;
- 5.12.13.44.12. Mandla Mgogoshe: Independent Director;
- 5.12.13.44.13. Garth van Gensen;
- 5.12.13.44.14. Nabeal Dien (CEO);
- 5.12.13.44.15. Tennyson Botes: in attendance; and
- 5.12.13.44.16. Ameena Smith: (Scribe).

5.12.13.45. We noted that paragraph 3 of the minutes of the said meeting reflected that Williams reported that this was the last meeting that he would be chairing as the President of WPCA.

5.12.13.46. It was further reflected that Williams reported that he forthwith tendered his resignation from the WPCA Board, as he was elected as Vice President of CSA effective from 4 February 2019.

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<sup>39</sup> Refer Exhibit 39



- 5.12.13.47. Based on the said minutes it would therefore appear that Williams was no longer President of WPCA on 11 April 2019 when he was part of the CSA FinCom that approved the R5 million loan to WPCA.
- 5.12.13.48. Williams indicated that he was one of the CSA FinCom members who sat in the meeting that approved the loan to WPCA.
- 5.12.13.49. Williams stated that he did not see any conflict of interest in sitting in the CSA FinCom that approved the R5 million to WPCA as he was not part of the engagements between WPCA and CSA relating to the loan applications.
- 5.12.13.50. Williams indicated that the loan engagements between CSA and WPCA were at operational level attended to by WPCA management.
- 5.12.13.51. In relation to Williams sitting in the CSA FinCom that approved the WPCA R5 million loan application, he indicated that while he sat in the said committee meeting, he raised the possible conflict and did not participate when the item was discussed by the committee.
- 5.12.13.52. We sent Williams an extract of our findings relating to the possible conflict of interest in the application of the R5 million loan to WPCA. In his written response to our questions, Williams indicated *inter alia* the following:
- “I had disclosed my potential conflict to the Board and Members Council on this issue and all the stakeholders were at all times aware of my potential conflict . At no point was I asked to recuse myself by any Board Member. At the relevant CSA Board meeting and after long deliberations on our agenda and business for the day, the Chairperson of the Board requested that all members return to the meeting to address the WPCA matter . I did not participate in any discussion on this matter and remained silent throughout the discussion on this matter.*
- The WPCA application for loans from CSA where put together and applied for by the Operational Management team and the Development Manager. At no stage did I raise or solicit any favours from any director of CSA or from Members Council representatives on this matter.*
- The project has been on the CSA agenda for a long time ,once elected Vice President , the new WPCA President took over the engagement on behalf WPCA and I played no further role in this matter either on behalf of WPCA or CSA”.*
- 5.12.13.53. During our consultations with Dien, he stated that as the then WPCA CEO, he played a role in WPCA’s various loan applications to CSA.

5.12.13.54. Dien stated that he had good working relationships with Moroe, Appiah, Gwaza, and Khan and had various engagements with them aimed at ensuring that he persuaded them to approve the loan applications made by WPCA. Dien confirmed that he interacted with Khan and spoke to him about ensuring that the WPCA loan application be approved.

5.12.13.55. Gwaza denied that Dien engaged him relating to the R5 million loan application by WPCA. Gwaza indicated that he had just joined CSA and would not have known who Dien was.

5.12.13.56. We received and reviewed FinCom minutes of a meeting that took place on 24 April 2019. We noted that it is recorded in the said minutes that the Chairman, Khan welcomed all attendees and invitees present. We further noted that a special welcome was extended to the CSA Vice President, Williams, the newly appointed CoSec, Gwaza and CCO, Govender.

5.12.13.57. Gwaza's version that he did not know who Dien was at the time and that he did not interact with him on the matter relating to the R5 million loan application by WPCA is therefore plausible.

#### 5.12.14. **CSA raises concerns about WPCA financial position**

5.12.14.1. Various e-mail communications reflect that CSA raised concerns with WPCA relating to the latter's inability to honour loan repayments. Amongst the said communication is an e-mail from Gwaza to the WPCA dated 23 July 2019.

5.12.14.2. Gwaza's email of 23 July 2019 raised various issues some of which are reflected in the minutes of the CSA Board meeting of 6 September 2019 and 7 September 2019<sup>40</sup>.

5.12.14.3. Gwaza's email of 23 July 2019 raised *inter alia* the following concerns:

5.12.14.3.1. The manner in which the contractor, Stefanutti Stocks was being managed;

5.12.14.3.2. The request for CSA to have a say in the PropCo Board by being allocated a director;

5.12.14.3.3. Alleged glaring gaps in the management of the NCG Project; and

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<sup>40</sup> Refer Exhibit 40

5.12.14.3.4. Failure to provide key financial information to various stakeholders.

5.12.14.4. We noted that there was a meeting on 19 August 2019 between WPCA and CSA, attended by Appiah, Moseki and WPCA representatives.

5.12.14.5. The purpose of the meeting was to discuss WPCA's financial position and CSA's concerns that PropCo did not have proper record keeping systems.

#### 5.12.15. **Suspension of construction work by Stefanutti Stocks**

5.12.15.1. As discussed above, we noted that there was a CSA Board meeting that took place on 1 August 2019.

5.12.15.2. We further noted that the following individuals attended the said Board meeting:

5.12.15.2.1. Chris Nenzani - Chairman;

5.12.15.2.2. B Williams - Vice-Chairman & President: WPCA

5.12.15.2.3. A Carolissen - President: Boland Cricket Board

5.12.15.2.4. Prof. S Cornelius - Independent Non-Executive Director;

5.12.15.2.5. T Ganda - President: Border Cricket;

5.12.15.2.6. Mi Khan - Independent Non-Executive Director;

5.12.15.2.7. J Madiseng - President: Central Gauteng Lions;

5.12.15.2.8. D May - President: Eastern Province Cricket;

5.12.15.2.9. D Mokhobo - Independent Non-Executive Director (did not attend);

5.12.15.2.10. Z Thamae - President: Central Cricket Region;

5.12.15.2.11. Prof. S Zinn - Independent Non-Executive Director;

5.12.15.2.12. TG Moroe - CSA Chief Executive Officer;

5.12.15.2.13. W Gwaza - Company Secretary;

5.12.15.2.14. N Appiah - CSA Chief Operating Officer;

5.12.15.2.15. K Govender - CSA Chief Commercial Officer;

5.12.15.2.16. P Moseki - CSA Chief Financial Officer; and

5.12.15.2.17. A J James (AJ) Scribe.

- 5.12.15.3. We noted that item 10.1 dealt with *inter alia* the fact that WPCA made a further request for approximately R33 000 000.00 to secure the services of Stefanutti Stocks who threatened to move off site.
- 5.12.15.4. We further noted that Gwaza is quoted as having highlighted the implications which would arise from the contractor moving off-site. It is further recorded that (CSA) Management had indicated to the WPCA that CSA would need security for the R33 million additional funding.
- 5.12.15.5. From the extract above, it would appear that Stefanutti Stocks had threatened to suspend the project due to failure by WPCA to make the necessary payments relating to the NCG construction work.
- 5.12.15.6. One of the loan amounts advanced to WPCA was for R33,698,484 on 6 August 2019. We understand that the said amount was part of the NCG renovation project funding.
- 5.12.15.7. Documentation reviewed and consultations conducted reflect that WPCA paid Stefanutti Stocks only R33 million of the said amount, resulting in a shortfall of R698 484.00.
- 5.12.15.8. We further understand that subsequent to WPCA short paying Stefanutti Stocks, the company issued a suspension letter stopping all construction work at the NCG unless the amount owed by WPCA was paid.
- 5.12.15.9. There was a WPCA board meeting held on 5 September 2019. The said meeting was attended by the following members:
- 5.12.15.9.1. President: Nicolas Kock - Chair;
  - 5.12.15.9.2. Vice President: Ashraf Burns;
  - 5.12.15.9.3. Treasurer: Omar Sunday;
  - 5.12.15.9.4. Johannes Adams - Non-independent Director;
  - 5.12.15.9.5. Richard Noor - Non-independent Director;
  - 5.12.15.9.6. De Vries Basson - Non-independent Director;
  - 5.12.15.9.7. Fezile Mguqulwa- Non-independent Director;
  - 5.12.15.9.8. Mustaq Brey - Independent Director;
  - 5.12.15.9.9. Fagmeedah Petersen-Cook - Independent Director (via telecon);
  - 5.12.15.9.10. Itumeleng Langeni - Independent Director;

- 5.12.15.9.11. Tennyson Botes – In attendance;
- 5.12.15.9.12. Aameena Smith - (Scribe).
- 5.12.15.9.13. Des Raymer – Invited;
- 5.12.15.9.14. Heidi Raymer – Invited;
- 5.12.15.9.15. Albin Wagner – Invited;
- 5.12.15.9.16. Elize Serfontein – Invited;
- 5.12.15.9.17. Suliman Mahomed apology;
- 5.12.15.9.18. Mandla Mgogoshe – apology;
- 5.12.15.9.19. Nabeal Dien (CEO) – Apology;
- 5.12.15.9.20. Garth van Gensen – Apology.

5.12.15.10. We understand that the purpose of the said meeting was to discuss failure by WPCA to pay Stefanutti Stocks the amount of R698 484, which was part of the R33,698,484 loan advanced to WPCA by CSA.

5.12.15.11. We noted that according to confirmation of Agenda, it was agreed that the purpose of the meeting was to deliberate and resolve matters related to PropCo following a series of correspondence between WPCA, PropCo and CSA and the recent PropCo Board Meeting relating to the property development.

5.12.15.12. We noted under Item 3 of the WPCA Board meeting of 5 September 2019, that it is recorded that Raymer, the Development Director of EduDev Africa Pty, and one of the individuals who attended the board meeting of 5 September by invitation, presented a notice of suspension letter from Stefanutti Stocks which placed the ADvTECH and CPUT lease in jeopardy, if the construction company was not paid the balance of R698 484.00 on the guarantee and a late payment of R7.5m which was apparently due on 30 August 2019.

#### 5.12.16. **Stefanutti Stocks suspension letter**

5.12.16.1. From various emails reviewed, we determined that Raymer received the Stefanutti Stock letter of suspension through an email sent to him by

Jacqueline Pryara, a Personal Assistant at Stefanutti Stocks on 6 September 2019 at 08:07<sup>41</sup>.

- 5.12.16.2. We noted that the said letter is dated 6 September 2019 and signed by Mauro Donato, Managing Director at Stefanutti Stocks.
- 5.12.16.3. The letter, addressed to Raymer, reflected that it was a notice of suspension – non-payment. We noted that the letter reflected *inter alia* that Stefanutti Stocks was owed R7 513,757.99 for certificate 6 which was due in August 2019, and a further R698 455.36 which is referred to as a short payment of the advance payment, ostensibly of R33 698 455.36.
- 5.12.16.4. We noted that the minutes of a WPCA Board Meeting of 5 September 2019 referred to the presentation of the said letter regardless of the fact that it was only emailed to Raymer on 6 September 2019<sup>42</sup>. It was not possible that Raymer would have presented the letter on 5 September 2019 when he received it from Stefanutti Stocks on 6 September 2019.
- 5.12.16.5. We contacted Raymer to seek clarity on the date discrepancies. Raymer confirmed that he was the Development Director for the NCG project. He further stated that on 5 September 2019 he went to Stefanutti Stocks offices and the company's Chief Executive Officer presented him with a letter of notice of suspension of work at NCG.
- 5.12.16.6. Raymer indicated that he took the letter with him to the WPCA meeting of the same date, *i.e.* 5 September 2019, as he was invited to attend. Raymer confirmed that he presented the WPCA Board with the Stefanutti Stocks letter as accurately captured in the minutes of the said meeting.
- 5.12.16.7. Raymer stated that after presenting the said letter to the WPCA Board meeting, he and his team left the meeting as they were verbally abused by certain board members.
- 5.12.16.8. Kock confirmed that WPCA received approximately R87 million from CSA for the NCG construction. Kock further indicated that part of the R87 million was the R33 698 484.00 loan which was to be paid to Stefanutti Stocks.

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<sup>41</sup> Refer Exhibit 41

<sup>42</sup> Refer Exhibit 42

5.12.16.9. Kock stated that the then WPCA CEO, Dien, made a decision to pay Stefanutti Stocks R33 million and not the total amount of R33 698 484.00. Kock further indicated that Dien's decision to short pay Stefanutti Stock was not authorized by the WPCA board and further that the board was not aware of the said short payment until Stefanutti Stocks issued the letter of intention to suspend construction work unless the amount due was paid.

5.12.16.10. The WPCA Board meeting of 5 September 2019 mandated Kock to meet with Stefanutti Stocks to allay their fears regarding non-payment and to ensure that they continue to operate on site and not affect their notice of suspension.

5.12.16.11. Kock confirmed that subsequent to the board meeting of 5 September 2019, the WPCA Board instructed Dien to pay Stefanutti Stocks the balance of R698 484.00. The amount was paid on 6 September 2019.

5.12.16.12. Dien confirmed that he was supposed to pay Stefanutti Stocks R33 698 484.00. Dien stated that he took a decision to only pay R33 000 000.00 and withheld the R698 484.00 for WPCA's monthly expenses. Dien stated that the R698 484.00 was however not utilised and was in WPCA's bank account at all times until he paid it over to Stefanutti Stocks on 6 September 2019.

5.12.16.13. Kock indicated that Stefanutti Stocks subsequently withdrew the suspension notice after WPCA made the required payment of R698 484.00.

#### **5.12.17. CSA exercises step-in rights on WPCA**

5.12.17.1. As discussed above, we understand that the WPCA financial situation was a concern to CSA as the organisation was not convinced that WPCA was able to fulfil its financial obligations on *inter alia* the NCG construction work.

5.12.17.2. Consultations conducted with *inter alia* Gwaza, Nenzani and Khan reflect that it was *inter alia* the said financial situation that led to the CSA board issuing an instruction to the CSA Management on 6 September 2019 and 7 September 2019 to exercise CSA step-in rights on WPCA.

#### **5.12.18. Raymer's email to CSA on 6 September 2019**

5.12.18.1. As discussed above, we noted that on 5 September 2019, Raymer presented the Stefanutti Stocks suspension letter to WPCA board at a meeting of the same date.

5.12.18.2. During a review of emails and documentation, we determined that on 6 September 2019 at 12:32, Raymer sent an email to Gwaza, Moseki, Appiah,

Moroe and Williams<sup>43</sup>. The subject of the email is reflected as “*Newlands Cricket Ground – Notice of Suspension BY Stefanutti Stocks and constant Abuse of EduDev and HEICO’s GOODWILL.*”

- 5.12.18.3. We noted that Raymer’s email to the CSA officials and Williams reflect that his team was abused by WPCA during the board meeting of 5 September 2019, resulting in them leaving the meeting prior to its conclusion.
- 5.12.18.4. We noted that Raymer’s email reflects the benefits of the NCG project as *inter alia* the following:
  - 5.12.18.4.1. Approved rights had added R150 million to WPCA’s balance sheet, a 400% increase;
  - 5.12.18.4.2. Net rental of the ADvTECH lease deal of R220 million;
  - 5.12.18.4.3. Sanlam investment of R400 million into NCG;
  - 5.12.18.4.4. Standard Bank deal that will see a R450 million facility set up for WPCA; and
  - 5.12.18.4.5. A possible net asset value of R2 billion by 2040 resulting from the WPCA Property Holdings’ 49% share of the North Precinct Development.
- 5.12.18.5. From Raymer’s email to CSA management, it is apparent that EduDev saw that the NCG project was a good investment for WPCA. Raymer’s email does not in any way raise any concerns about the possibility of failure of the project.
- 5.12.18.6. We noted that Raymer attached the Stefanutti Stocks suspension letter to the email sent to the CSA Management. As discussed below, we noted that the CSA management told the CSA board of the Stefanutti Stocks notice of suspension letter.
- 5.12.18.7. Raymer’s email of 6 September 2019 referred to the CPUT lease as well as timeous payment to the contractor (Stefanutti Stocks) and appointed professionals.
- 5.12.18.8. We could not find any indication that Raymer raised any concerns relating to the possible failure to sign the lease agreement or failure to pay the contractor.

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<sup>43</sup> Refer Exhibit 43



In the contrary, Raymer's email reflected alternatives for *inter alia* ensuring that the contractor and appointed professionals are paid.

- 5.12.18.9. Gwaza indicated that the information related to the benefits of the NCG project had been shared previously with the Board at the time the loan to WPCA was converted into equity. Board had instructed management on the manner in which CSA should deal with any further requests for loans from CSA.
- 5.12.18.10. Raymer confirmed writing the email and sending it to the CSA Management as well as Williams. He stated that he wrote and sent the email as he was concerned about the treatment his team received at the hands of one of the board members during the WPCA Board meeting appearance on 5 September 2019.
- 5.12.18.11. Raymer stated that as at the date of our call to him, *i.e.* 16 June 2020, the NCG project was 50% completed.
- 5.12.18.12. From the minutes of the CSA Board meetings of 6 September 2019 and 7 September 2019, we noted that CSA Management did not share the information relating to the benefits of the NCG project as outlined in Raymer's email, with the CSA Board members, regardless of the fact that they had access to the said information as it was sent to the Management team approximately two hours prior to the commencement of the Board meeting.
- 5.12.18.13. The fact that the CSA Management briefed the CSA Board at the meeting on 6 September 2019 about the Stefanutti Stocks letter of suspension as well as the amounts owed, is an indication that Management was aware of Raymer's email and the contents thereof, prior to or during the said CSA Board meeting.
- 5.12.18.14. Williams was the only Board member copied in Raymer's email of 6 September 2019. There is no indication that Williams shared the contents of Raymer's email with his fellow board members.
- 5.12.18.15. In his written response relating to Raymer's email, Williams *inter alia* indicated the following:

*"I reside and work in Cape Town and when I travel to attend CSA meetings, I leave my work laptop at home as we have a Tablet provided by CSA which contains all CSA business information. My CSA email address was not set up at that stage and the correspondence regarding D Raymer's email was sent to my work email address. At*

*no stage during the CSA meetings did I access my work email and only done so after returning to Cape Town. I therefore could not share the contents of Raymer's email with any Board member as I had not seen that particular email.*

*In any event, CSA Management and WPCA were engaging on the project for an extended time and engaged during January /February 2019 about shareholding to my knowledge".*

Williams further indicated the following relating to a question on whether it was his duty to share Raymer's email with the other board members:

*"Whatever information was known to me at that time, I shared it with the relevant structures at CSA or alternatively spoke to Board members when required to do so. A smaller task team was put together to address the WPCA related issues and I was not a member of this task team.*

*I declared my interest, conflict and never personally gained from the engagement. The various Chairpersons of the Committees I serve on, namely, Social and Ethics and FINCOM under Professor Steve Cornelius and HR & REMCOM under Marius Schoeman will confirm that in general I recused myself from the meetings or discussions when it related to WPCA matters".*

Williams indicated that:

*"The Board was aware of the benefits and I understand that was the basis of agreeing to terms and shareholding. To my knowledge a presentation was made to CSA*

*I do not recall receiving an email of 6 September 2019 from N Kock which indicated that the amount R698 484 was paid to Stefanutti Stocks and the latter had withdrawn the letter of notice to suspend construction work".*

5.12.18.16. Relating to the question of benefits raised by Raymer, Gwaza indicated stated that:

*"That is one of the reasons why the Board approved the entering into the transaction in the first place. This, If I recall correctly, was positioned before the Finance Committee which made the recommendations to the Board. Key to this investment was the seeking of alternative revenue source to ensure CSA future sustainability and reduction of dependency on sponsorships".*

5.12.18.17. Gwaza indicated that the Board was aware of the benefits at the time of entering into the transaction in May 2019, otherwise the transaction would not have concluded without Board approval.

#### 5.12.19. CSA Board meeting of 6 September 2019

- 5.12.19.1. As discussed above, we noted that CSA held a Board Meeting held on 6 September 2019 at Intercontinental, OR Tambo International, Johannesburg from 14:00 to 18:00<sup>44</sup>.
- 5.12.19.2. Item 11 on the agenda related to WPCA.
- 5.12.19.3. The minutes of 6 September 2019 reflect that the Board received feedback from Gwaza on the progress relating to the CSA's participation in the WPCA Property Development Project.
- 5.12.19.4. The minutes further reflected that, with regard to the loan agreement of R33 698 000, it was noted that CSA had concluded all the relevant documents except the addendum to the shareholders agreement, which it was noted, would allow CSA to take control of the project until such time that the project had stabilized.
- 5.12.19.5. It would appear from the above that CSA sought to take control of the NCG upgrade project from WPCA. We noted that the "taking control" of the project by CSA was discussed even prior to the deliberations relating to whether or not CSA needed to exercise its step-in rights on WPCA.
- 5.12.19.6. The minutes further reflect that Gwaza briefed the Board on the fact that a discussion was held with WPCA with a proposition that CSA had Chairmanship as well as the role of the treasurer on the PropCo Board. It was noted that the Chairmanship and Treasurer of PropCo would be discussed further once CSA received WPCA's proposed amendments to the addendum to the Shareholders Agreement.
- 5.12.19.7. We further noted that, according to the minutes, Gwaza had contacted Dien and reiterated the only way the CSA Board would avail additional funds to what had already been given was if there was equity on the table as per the CSA Board's directive.
- 5.12.19.8. The minutes of the CSA Board meeting of 6 September 2019 further reflected that the WPCA Board subsequently had a meeting on the 5 September 2019 regarding CSA's standing directive that no further funding would be availed without further equity. The CSA Board and Management were therefore

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<sup>44</sup> Refer Exhibit 44

aware, when they held the meeting of 6 September 2019, that WPCA held its Board meeting on 5 September 2019.

- 5.12.19.9. The CSA Board minutes further reflected that the WPCA Board had advised that they would not accept CSA's terms in providing further equity to CSA, with WPCA's counter-proposal being that they had R12 000 000 VAT repayable by SARS due to be paid within the next 7 (seven) to 10 (ten) days, and proposed CSA avail an R8 000 000.00 (eight million rand) loan.
- 5.12.19.10. WPCA would provide the R12 000 000.00 (twelve million rand) VAT repayment as collateral against the advance. We understand that Gwaza reiterated CSA's Board position to Kock, which was equity or nothing.
- 5.12.19.11. The CSA Board minutes of 6 September 2019 further noted that one of the risks posed was that if Stefanutti Stocks walked away from the project, as they had issued a notice of suspension of works to the WPCA, and the various parties interested in the project could also walk away.
- 5.12.19.12. As discussed above, Stefanutti Stocks emailed their letter of intention to suspend, to Raymer on 6 September 2019 at 08:07. Raymer emailed the letter to CSA Management on 6 September 2019 at 12:32.
- 5.12.19.13. During the Board Meeting of 6 September 2019, the Management team did not take the CSA Board into its confidence and there is no indication that they shared the email from Raymer, as discussed above.
- 5.12.19.14. The minutes further reflected that the CSA Board members expressed their concern on the mismanagement of the project as well as the consequence management if the project failed. It was further noted that Members agreed that CSA would not release any funding until WPCA agreed to CSA acquiring an additional equity stake.
- 5.12.19.15. It was further noted in the minutes of the CSA Board meeting of 6 September 2019 that the impact on cricket in the Western Province as well as on CSA should this project fail, was enormous.
- 5.12.19.16. It was noted that it was not only the R80 000 000.00 (eighty million rand) in loans which was at risk, but there was substantial reputational damage and possible financial liability which could be incurred if the project was not completed and the contractor suspended the works. Board members were concerned about the impact of the project failing, the current financial position

of the WPCA (as demonstrated by their continued requests for further loans) and the threat to Cricket and other risks associated thereto, in particular, reputational risks and the possibility of the New Year's test not being hosted at the Newlands Cricket Ground.

5.12.19.17. We understand that the Board, as the administrator of cricket asked whether the only way that CSA could manage the above risks would be to institute its step-in rights with regard to the WPCA.

5.12.19.18. Based on the above, the Board took a preliminary in-principle decision that given the current state of the WPCA, it would have to exercise its step-in rights over WPCA **subject to management presenting further on the specific issues related to the conduct of the WPCA (Our emphasis).**

5.12.19.19. The Board resolved to request management to consider the Board's request regarding the conduct of the WPCA, specifically on the question of the exercise of the step-in rights and subsequently **advise the Board once all the issues had been considered** (Our emphasis). The meeting was adjourned and scheduled to reconvene at 10h00 on Saturday, 7 September 2019 to further deliberate on the matter.

5.12.19.20. According to Gwaza, the key issues regarding the exercise of step-in rights related to other considerations:

- *Failure of WPCA to obtain an audit opinion leading to the postponement of the WPCA AGM;*
- *Stefanutti Stocks had been short-paid of R698 000 by WPCA on the basis that this amount was required to cover other WPCA costs;*
- *WPCA Board members making undertakings on behalf of Propco and WPCA without having the mandate to do so.*

5.12.19.21. According to Gwaza, the purpose of the Board meeting of 6 September 2019 was to provide an update on the NCG project. Gwaza further indicated was not on the agenda but was proposed by Zinn and taken up by the rest of the Board.

#### 5.12.20. **Email from Kock to Welsh and Ameena Smith of 6 September 2019 at 14:11**

5.12.20.1. Documentation reviewed reflect that on 6 September 2019 at 14:11 Kock sent an e-mail to Gwaza and copied Ameena Smith ("Smith"). The subject of the e-mail is reflected as Newlands Property Development.

- 5.12.20.2. Of relevance to the payment to Stefanutti Stocks are paragraphs 4 to 9 of Kock's e-mail.
- 5.12.20.3. Paragraph 4 reflects *inter alia* that " At yesterday's extra ordinary WPCA Board meeting EduDev presented a letter from SSS giving format (sic) notice that if the arrears shortfall of +/- R690 000 plus the next draw of +/- R7,5 million was paid (probably not paid?) within the three days of the letter (i.e. by Sunday , 8 September 2019), SetefStocks would shut down the site"
- 5.12.20.4. Paragraph 6 of Kock's e-mail to Welsh states that "After consultations with StefStoks this morning the outstanding balance of R690 has been settled with them"
- 5.12.20.5. Kock's e-mail to Gwaza further reflected that WPCA required bridging finance for an amount of +/- R7,5 million from CSA to be paid to Stefanutti Stocks on or before Monday, 9 September 2019 to avoid the construction company suspending the construction work at NCG.
- 5.12.20.6. Based on the fact that the CSA Board of 6 September 2019 commenced at 14:00 and ended at approximately 18:00, when Gwaza received Kock's email of the same date at 14:11, he was still in attendance at the said CSA Board meeting, which had just commenced.
- 5.12.20.7. Taking all available information into consideration, we noted that at the time of the conclusion of the CSA Board meeting of 6 September 2019, Gwaza had already received Kock's email relating to Stefanutti Stocks' payment.
- 5.12.20.8. We could not find any indication that Gwaza forwarded the email from Kock to anyone on 6 September 2019. Gwaza indicated that he did not have an opportunity to review emails during the meeting.
- 5.12.20.9. Gwaza further indicated that he could not recall whether the Board was made aware of the payment. He indicated that "*the crux of the issue was regarding the reasons provided for the short-payment which, according to the WPCA CEO at that time, WPCA was experiencing a certain level of liquidity problems.*"
- 5.12.20.10. "*I do not believe I looked at that email until the following week. The Board meeting ended late where the Board had taken an in-principle decision to step-in. Gwaza indicated that the settlement of the outstanding amount, was but one of the reasons for the suspension of works, at the core of this issue, was the liquidity challenges which were being experienced by WPCA*".

5.12.20.11. Gwaza provided us with the recording of the Board meeting of 6 September 2019. According to the recording, Gwaza informed the Board that the CPUT lease had been approved by the Minister and that it would be presented to the Vice Chancellor for signature on Monday, 9 September 2019.

5.12.20.12. In response to our question whether it would have made any difference in terms of the decision to step-in if the Board was made aware of the withdrawal of the notice of suspension, Gwaza indicated that:

*“I don’t think so, because the CSA management had also met with the Stefanutti Stocks executive team and requested them not to suspend works as was the case in August 2019. The CEO had informed the Board of such. My understanding was that the CEO was in contact with the Board chairman regarding developments on this matter post the AGM. I believe this is one of the issues which the board was advised on during the meeting, i.e., the settlement of the balance of the payment to the contractor a month after the payment was due and forwarded by CSA to WPCA”*

5.12.20.13. Gwaza indicated that there were various factors considered during the meeting and that he was under the impression that the issue of the payment to Stefanutti Stocks was shared with the Board.

5.12.20.14. Gwaza further indicated that it would have been the duty of management to bring to the attention of the Board the withdrawal of the suspension letter by Stefanutti Stocks as management was also in discussions with them (Stefanutti Stocks).

**5.12.21. Email from Kock to Khan, Nenzani and Williams on 6 September at 21:48**

5.12.21.1. We determined that on 6 September 2019 at 21:48 Kock sent an e-mail to Khan, Nenzani and Williams. The subject of the e-mail is reflected as Newlands Property Development. Kock addressed the e-mail as *“Dear Senior Leadership”*<sup>45</sup>.

5.12.21.2. The e-mail sent to CSA *“Senior Leadership”* by Kock included the e-mail he sent to Gwaza on the same date at 14:11, discussed above<sup>46</sup>.

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<sup>45</sup> Refer Exhibit 45

<sup>46</sup> Refer Exhibit 46

- 5.12.21.3. It should be noted that, as per Kock's email to Gwaza above, the payment to Stefanutti Stocks was made on the same date that the CSA Board mandated CSA Management to exercise the step-in rights.
- 5.12.21.4. Gwaza, Khan, Nenzani and Williams were aware that one of the reasons advanced for CSA to exercise step-in rights was the withdrawal from the project by Stefanutti Stocks due to the non-payment of R698 484.00 by WPCA.
- 5.12.21.5. When CSA Board mandated CSA management to exercise the step-in rights on 7 September 2019, Gwaza, Khan, Nenzani and Williams were made aware through an email sent on 6 September 2019 by Kock that WPCA had made a payment of R698 404.00 to Stefanutti Stocks, made on 6 September 2020.
- 5.12.21.6. Gwaza was made aware of the R698 404.00 payment by Kock in his e-mail discussed above, sent to Gwaza on 6 September 2019 at 14:11, whereas Khan, Nenzani and Williams were made aware of this fact when Kock communicated to them through the e-mail of 6 September 2019 at 21:48 addressed to Senior Leadership.
- 5.12.21.7. During our consultations with Kock, he confirmed the above communications to Gwaza and the Senior Leadership.
- 5.12.21.8. In his written response relating to Kock's email of 6 September 2019, Khan indicated that the notice of suspension by Stefanutti Stocks was the "final straw" in the Board's decision to exercise step-in rights. Khan further indicated that, CSA was frustrated by the fact that the Stefanutti Stocks payment was never anticipated by WPCA but rather delivered to CSA as an ultimatum. According to Khan, this indicated to CSA that they needed to step-in and take control of the finances.
- 5.12.21.9. Khan further stated that the Board was made aware of the payment as it was decided at the Board meeting to make payment and step-in to take control. Khan indicated that he was not made aware of the withdrawal notice.
- 5.12.21.10. In his written response relating to Kock's email of 6 September 2019, Williams indicated the following:

*"When the Board convened to address this matter, the President of WPCA was called in to present his case and addressed the board. The Legal Secretary and CEO presented a detailed update to the board. After a discussion, the Board agreed to exercise its step-*



*in rights. I had no input in the discussion regarding the decision to exercise step in rights”.*

Williams further indicated that:

*“To my knowledge the Board was made aware that the monies owed to Stefanutti was paid and that there was an engagement with Stefanutti about withdrawing the letter of notice to suspend further work.*

*In my view, the Board was aware of all the issues but were concerned about the project management plan of WPCA as well as the repeated late calls for financial assistance by WPCA. This caused alarm bells as requests were always on the last minute which placed undue pressure on CSA.*

*Although I did not receive the email from N Kock, the Board was briefed and updated on all related issues as per the interaction on the Friday night meeting and further Board meetings on the Saturday. I shared with the Board what I knew but in the same breath had not interfered with any issues pertaining to taking a position.*

*The issues related to WPCA were well known to the Board and addressed at length by Management and Board. It must be further noted that a decision was taken to step in based on all the information at that particular time”.*

5.12.21.11.Nenzani confirmed that he received the email of 6 September 2019 from Kock. Based on a review of Moroe’s emails, we determined that on 9 September 2019 Nenzani forwarded Kock’s email to Moroe.

5.12.21.12.In his written response relating to Kock’s email of 6 September 2019, Nenzani indicated that the non-payment of the R698 484.00 was one of the triggers that resulted in CSA exercising its rights to step-in. Nenzani however indicated that it was not the only trigger. Nenzani further indicated that to his knowledge, the Board was not made aware of the payment of R698 484.00 and the withdrawal of the notice by Stefanutti Stocks.

5.12.21.13.Nenzani indicated that he forwarded Kock’s email of 6 September 2019 to Moroe as he was the mandated functionary to deal with matters relevant to the administration. Nenzani further stated that attached to the email he forwarded to Moroe was a loan agreement between CSA and WPCA which required CSA to provide further funding whereas CSA had already taken a decision to put WPCA under administration. Nenzani indicated that his assumption was that the email would form part of the discussions management was conducting with WPCA management.

- 5.12.21.14. Nenzani stated that he would not be in a position to say whether it would have made a difference in terms of the decision to step-in if the Board was made aware of the withdrawal of the notice as there were other issues that were relevant. Nenzani further stated that *“it would have been instructive whether the Board would have been in a position to provide a further loa (sic)”*
- 5.12.21.15. Nenzani further stated that if Management was aware of the withdrawal of the notice, they should have brought it to the attention of the Board.
- 5.12.21.16. As discussed below, Nenzani was copied in Kock’s email of 9 September 2019 wherein Kock *inter alia* confirmed that Stefanutti Stocks had withdrawn the notice of suspension and further that CPUT lease had been signed. Nenzani however initially indicated that he did not have the said email from Kock. In his response to our draft report, Nenzani indicated that he could not recall receiving and reading such an email.
- 5.12.21.17. Gwaza indicated that CPUT lease agreement and notice from Stefanutti Stocks were not the triggers. He indicated that there was a difference between WPCA as an affiliate and WPCA as a co-shareholder. He further indicated that the Stefanutti Stocks issue regarding the suspension of works was focused on the impact on cricket, the risks during the wet season, the suspension of works would have on the adjacent properties, and the safety and security of the boxing day test.
- 5.12.21.18. Gwaza indicated that some of the other considerations existed prior to the payment of R33 698 484. He indicated that the said considerations included failure to appoint a project manager and keep proper accounting records regarding PropCo. Gwaza indicated that CSA was attempting to assist the WPCA in this regard. CSA became aware of the other reasons after providing the second loan to WPCA as a co-shareholder, not as an Affiliate.
- 5.12.21.19. Gwaza further indicated that Management had not substantively considered step-in and even at the Board meeting, step-in was not an issue on the table.

**5.12.22. CSA Board meeting of 7 September 2019**

- 5.12.22.1. We were provided with minutes of the CSA Board meeting of 7 September 2019 and noted that the Board reconvened on 7 September 2019 to consider the matter relating to the possible exercise of CSA’s step-in rights over WPCA.

- 5.12.22.2. The minutes reflected that the following points were highlighted during the discussion:
- 5.12.22.2.1. *“The Board took a decision in principle to exercise their step-in rights at WPCA in order to protect CSA’s interests as an organisation and the resources which belong to the members;*
  - 5.12.22.2.2. *As a shareholder, CSA maintains its position that it cannot release funding without obtaining additional equity in the project as there was no further tangible security which the WPCA could provide to CSA for the additional loans; and*
  - 5.12.22.2.3. *CSA had become aware of the financial and governance issues at play at WPCA, and as such, CSA has an obligation to take steps to mitigate the risks arising as a result of these issues”.*
- 5.12.22.3. The minutes of the CSA Board of 7 September 2019 further reflected that Gwaza highlighted to the meeting that information received regarding the WPCA NCG development matter had been immense, and further that a large amount of information still needed to be processed.
- 5.12.22.4. We further noted that the following key points were recorded:
- 5.12.22.4.1. *“The proposal which WPCA put to the Board on 6 September was to CSA as a co- shareholder in PropCo to avail funds to PropCo for purposes of settling the contractor’s invoice. In this regard, the Board’s decision was that there will be no further funding to PropCo.*
  - 5.12.22.4.2. *CSA, having looked at the project and having more information available to it which was not necessarily available when CSA entered into this transaction, was of the view that there was clearly an issue around what appears to be financial irresponsibility and maladministration, to the extent that WPCA entered into a transaction around 22 February 2019, where there was an obligation to pay approximately R40 000 000 (forty million rand) guarantee to the contractor, an amount which they did not have.*
  - 5.12.22.4.3. *There was a requirement that WPCA provide guarantees to that extent by around 5 March 2019, which is within the same financial year, and they did not have those funds.*

- 5.12.22.4.4. *There were payment certificates which were issued by the contractor and certain professionals in March and April 2019, which were not paid when they became due specifically because the WPCA did not have any funding to settle those payment certificates. As the WPCA did not have adequate funding to settle these payment certificates, once the obligation to pay became due WPCA could be regarded as having operated on a technical insolvency basis, i.e., they failed to pay their debts as and when they became due.*
- 5.12.22.4.5. *Unfortunately, when CSA were considering entering into the transaction as a shareholder, CSA was not able to do a holistic due diligence on this project, as the movement of information and repository of information was not available to CSA at that time. This situation had changed in the last few months with information regarding the project and the status of the WPCA now forthcoming. Since its commencement CSA had been the sole funder of the project. WPCA has not been able to fund the project in any other means except the costs which they had incurred prior to the project kicking off which amount to approximately R3 000 000 (three million rand). The funding secured for the project is subject to conditions precedent which have not been met as yet.*
- 5.12.22.4.6. *Prior to the commencement of the project and the release of the funding, in the minimum there would have been a requirement that the Condition Precedent attached to the agreements which were entered into by the WPCA had to be fulfilled before certain actions commenced. This was a normal requirement for the provision of any funding by financial institutions. Unfortunately, the reverse occurred, despite not having fulfilled any conditions precedent and being aware that there was no funding available to meet its payment obligations for the project, the WPCA prematurely commenced construction in February 2019. The decision to enter into the various contractual obligations and commence construction were taken by the WPCA Board. When the contractors started asking for payment as they were incurring costs with construction having been done, there was nowhere else for WPCA to turn except for CSA.*

- 5.12.22.4.7. *There is security for the CSA loans availed thus far, but the key principle being considered here is that which falls in CSA's area as the administrative board of cricket and not the shareholder in PropCo.*
- 5.12.22.4.8. *Being aware of the precarious financial and governance position that the WPCA finds itself today the question then is does CSA have an obligation to take steps to mitigate the possible risks arising from the decisions taken by the WPCA board and which have the potential to threaten the playing of cricket in the province. A key risk is that Stefanutti Stocks has issued a notice to suspend works for the second time and will walk off site. Stefanutti Stocks has a lien over the site, and it is unlikely that it will permit WPCA or CSA to take measures to ensure that the site and the NCG complies with the SASREA requirements for hosting a sporting event at the NCG. CSA cannot take any action, for example, to fence off the construction site whilst a cricket match is being staged as they will be in breach of the lien. In addition to that there is a penalty fee which applies everyday of approximately R65 000 (sixty five thousand rand) for every day Stefanutti Stocks is off site due to the suspension of works.*
- 5.12.22.4.9. *Currently WPCA is in breach or has potentially breached certain of those project agreements which they have entered into, one being the co-ownership agreement and the other being the lease agreement with ADvTECH as well as the development agreement (in that no project manager has been appointed). The developer who has been key to this project from the latest communication received is considering legal action. If any of those parties including Stefanutti Stocks proceed to declare a breach (as it appears that they were also short-paid an amount of R698 000 (six hundred and ninety eight thousand rand) being a portion of the last loan amount availed to WPCA for purposes of settling the Stefanutti Stocks payment certificate) Sanlam are likely to walk away from the transaction".*
- 5.12.22.4.10. *In addition, if Sanlam do walk away from the project, it is highly unlikely that Standard Bank will be interested in funding the PropCo portion of the project.*
- 5.12.22.4.11. *ADvTECH and CPUT, in their agreements have provisions around the negligent conduct of business by the lessors (Sanlam and PropCo) that in itself places a great risk on this project as the conduct of the WPCA*

*in managing the project and the operations of the WPCA are of great concern”.*

- 5.12.22.5. We noted, from Kock’s email to Gwaza as well as to the Senior Leadership that he informed them that the ADvTECH and CPUT Lease agreement was scheduled for signature on 9 September 2019. We further noted that the lease agreement was in fact signed on 9 September 2019.
- 5.12.22.6. As discussed above, WPCA communicated to CSA that the R698 000 owed to Stefanutti Stocks was paid on 6 September 2019.
- 5.12.22.7. Khan indicated that it would not have made a difference in respect of the Board’s decision to step-in as the withdrawal notice only came two weeks later. Khan further indicated that it was the right call to step in at the time. According to Khan, Moroe and his team took too long to deliver the step-in notice.
- 5.12.22.8. We noted the benefits of the project as outlined by Raymer in his email to CSA Management of 6 September 2019 as discussed above.

#### 5.12.23. **Other considerations**

- 5.12.23.1. We noted that it was recorded that CSA also considered the manner in which the governance, administrative and financial affairs of the WPCA had been conducted, in particular, the following was highlighted:
  - 5.12.23.1.1. *“The threat to cricket as posed by the manner in which the WPCA had conducted its business without taking due consideration of the impact of such decisions;*
  - 5.12.23.1.2. *Lack of proper accounting records for the NCG stadium development project;*
  - 5.12.23.1.3. *Failure of the WPCA and its subsidiary, WPCA PropCo to submit VAT reclaims timeously;*
  - 5.12.23.1.4. *Certain persons on the WPCA Board negotiating and concluding certain agreements/arrangements on behalf of WPCA and PropCo with third parties apparently without the mandate or authority to do so from either WPCA or PropCo;*

- 5.12.23.1.5. *WPCA's inability to conclude its year-end statutory audits for reasons which have not been provided, such that the WPCA AGM had to be postponed, then adjourned due the auditors not having issued an audit opinion;*
- 5.12.23.1.6. *Potential breach of certain agreements related to the project including the loan agreement entered into with CSA as a result of alleged misappropriation of funds; and*
- 5.12.23.1.7. *Lack of relevant expertise within WPCA and its subsidiary to provide the requisite support for certain areas of both the WPCA and the PropCo's business".*
- 5.12.23.2. Nenzani indicated that the other factors referred to above were part of the factors that influenced the Board's decision to step-in.
- 5.12.23.3. Khan indicated that the Board had the impression that things were uncontrolled within WPCA with all the factors mentioned above. Khan further indicated that the notice of suspension by Stefanutti Stocks and the non-signature of the CPUT lease as well as the chaos that CSA was enduring led to the decision to step-in.
- 5.12.24. **Resolution taken by the CSA Board on 7 September 2019**
  - 5.12.24.1. Minutes of the CSA Board of 7 September 2019 *inter alia* reflected that the Board instructed Management to exercise CSA's step-in rights over WPCA with immediate effect.
  - 5.12.24.2. Nenzani indicated that what the Board meant by immediate effect was "*as soon as it is practically possible*".
  - 5.12.24.3. Khan however indicated that what the Board meant by immediate effect was "*the next day*".
  - 5.12.24.4. The board further resolved that:
    - 5.12.24.4.1. WPCA and the WPCA Board would be informed of the decision, with the basis and rationale for that decision;
    - 5.12.24.4.2. A project team will need to be formulated to assist with the step-in;

- 5.12.24.4.3. A communication and PR plan will be assembled, through a series of communicate to stakeholders to demonstrate the effective management and leadership on this matter;
- 5.12.24.4.4. The guidance on the financial parameters Management can work with in terms of this project will need to be determined with the assistance of the chairman of the Finance & Commercial Committee. However, the Board will ultimately need to set a threshold;
- 5.12.24.4.5. The Chairman of the Finance and Commercial Committee, the President, and the two Independent Directors would work as a team to support Management. Other matters which will need the board to resolve on will be brought back to the Board for approval.
- 5.12.24.5. Nenzani indicated that he was informed by Moroe that WPCA had been informed of the decision to step-in.
- 5.12.24.6. Nenzani further stated that Moroe was tasked with the responsibility to formulate a project team to assist with the step-in. Nenzani indicated that it later emerged that there was no project team formulated as resolved by the Board.
- 5.12.24.7. Khan indicated that he was not aware whether WPCA and WPCA Board were informed of the decision to step-in with the basis and rationale for the decision as he was not given access to step-in paper delivered.
- 5.12.24.8. Gwaza indicated that CPUT and Stefanutti Stocks were not the 2 triggers and at that point they had become moot. Gwaza further indicated that Management comprised the project team providing support as and when required by Odendaal.
- 5.12.24.9. In his written response to our questions relating to the Board's decision to exercise step-in rights on WPCA, Madiseng indicted that *"The Executive presented options to the Board to make a decision and we (collectively) made a decision to put Western Province under administration - we could have chosen not to put them under administration but we opted as the Board to put them under administration. This was our (Board) decision and we need to take it on the chin and not blame it on the CEO and the Executive"*



5.12.24.10. Madiseng further stated that the Executive/ Management executed the mandate of the Board and further that the mandate was overruled by the Arbitrator. Madiseng further stated that the CEO took the "punches" on behalf of the Board.

**5.12.25. Main reasons that led to CSA exercising step-in rights on WPCA**

5.12.25.1. From the minutes of the board meetings of 6 September and 7 September 2019 respectively, we noted that the deliberations centered around the risk of the NCG project collapsing due to failure to sign the lease agreement with ADvTECH and CPUT, as well as Stefanutti Stocks notice of withdrawal from the project.

5.12.25.2. Nenzani indicated that failure to sign the lease agreement as well as Stefanutti Stocks notice of withdrawal from the project were one of the reasons that led to CSA exercising its step-in rights.

5.12.25.3. In his email to Gwaza and Senior Leadership on 6 September 2019, Kock indicated that the lease agreement with CPUT was scheduled for signature on 9 September 2019. The said lease agreement was eventually signed on the said date, i.e. 9 September 2019.

5.12.25.4. As discussed above, Stefanutti Stocks issued a suspension letter indicating that the company was suspending all construction work as it was not paid by WPCA.

5.12.25.5. As further discussed above, on 5 September 2019 the WPCA Board took a decision to pay Stefanutti Stocks the amount of R698 484.00 owed on the guarantee when WPCA paid only R33 million.

5.12.25.6. Stefanutti Stocks subsequently withdrew the suspension notice after WPCA made the required payment of R698 484.00 on 6 September 2019.

**5.12.26. Email from Kock to Nenzani and Moroe on 9 September 2019**

5.12.26.1. On 9 September 2019 at 19:57 Kock sent an e-mail to Nenzani, Moroe and Ameena Smith ("Smith")<sup>47</sup>. The said e-mail was sent from the e-mail address [nicolaskock@gmail.com](mailto:nicolaskock@gmail.com) to [chrisn@cricket.co.za](mailto:chrisn@cricket.co.za); [thabangm@cricket.co.za](mailto:thabangm@cricket.co.za); and [ameenas@cricket.co.za](mailto:ameenas@cricket.co.za).

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<sup>47</sup> Refer Exhibit 47

- 5.12.26.2. The subject of the e-mail is reflected as *“Update, CPUT Lease”*.
- 5.12.26.3. Kock’s email to Moroe and Nenzani dealt with the CPUT lease as well as the Stefanutti Stocks payment.
- 5.12.26.4. The first paragraph of Kock’s email refers to a confirmation that the CPUT lease agreement had been signed off in the morning of the same date, *i.e.* 9 September 2019. As discussed below, we confirmed that the lease agreement was indeed signed on the said date.
- 5.12.26.5. Of relevance to Stefanutti Stocks is Kock’s last paragraph which reflects that *“Finally, we have been advised that Steff Stock is withdrawing their letter of suspension as satisfactory payment arrangements have been made”*
- 5.12.26.6. On 9 September 2019 at 21:08, Smith forwarded the above e-mail to various individuals including WPCA board members and its then CEO, Dien<sup>48</sup>. We noted that Smith copied Gwaza in the said e-mail.
- 5.12.26.7. We noted that on 9 September at 23:43, Gwaza forwarded a series of emails, including the one forwarded to him by Smith as discussed above, to Moroe, Moseki and Appiah. Gwaza wrote *“Well, see messages below”*.
- 5.12.26.8. Gwaza indicated that there was no consideration of the work which was done by CSA regarding Steff Stocks and the approval of the CPUT lease. According to Gwaza, the Board was advised in the meeting that the Minister had approved the lease and it would be signed on the following Monday.
- 5.12.26.9. As discussed above, we determined that on 6 September 2019, WPCA paid the amount of R698 484.00 owed to Stefanutti Stocks. The said payment was made prior to CSA Board mandating its Management to exercise step-in rights in terms of the MoI.

#### 5.12.27. **Signature of the CPUT lease agreement**

- 5.12.27.1. As reflected above, it is our understanding that one of the reasons Management provided to the Board to enable it to make an informed decision whether or not to exercise its step-in rights, was the matter relating to the failure by WPCA and CPUT to sign a lease agreement for premises in the Newlands Cricket Ground.

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<sup>48</sup> Refer Exhibit 48

5.12.27.2. As reflected in the minutes of the CSA Board meetings of 6 September 2019 and 7 September 2019, CSA Management informed the board on 6 September 2019 that the lease agreement between CPUT and WPCA was not signed and further that this resulted in the CSA Board instructing CSA Management to exercise step-in rights based on *inter alia* the failure in signing the said lease agreement.

5.12.27.3. We noted that the e-mail from Kock sent to Nenzani, Moroe and Smith Nenzani on 9 September 2019 at 19:57 *inter alia* referred to the signing of the CPUT lease agreement.

5.12.27.4. The subject of the said e-mail is reflected as “*update CPUT Lease*”

The e-mail reflected *inter alia* that “*With reference to our conversation earlier Mr Moroe the following:*

*“I can confirm that the CPUT lease has been signed off this morning and sent to the conveyancing attorneys for lodgement. This will be done on Wednesday the latest. Monies will start to flow 8 working days from day of lodgement, which means no further funds are required from CSA at this stage. We thank you for your generous consideration in assisting us in this landmark development at Newlands. We intend to meet our obligation towards CSA soonest.*

*Finally, we have been advised that Steff Stocks is withdrawing their letter of suspension as satisfactory payment arrangements have been made.”*

5.12.27.5. Kock stated that on 9 September 2019, he had a meeting with Khan wherein he brought to the latter’s attention that on 6 September 2019 WPCA paid Stefanutti Stocks the outstanding R698 484.00.

5.12.27.6. Kock further stated that he further told Khan in the said meeting that the CPUT lease agreement had been signed. Kock stated that after his discussion with Khan, the latter advised him to inform Moroe of the developments.

5.12.27.7. Kock stated that after his meeting with Khan, he called Moroe and informed him about the developments relating to the withdrawal of the suspension letter by Stefanutti Stocks as well as the signing of the CPUT lease agreement.

5.12.27.8. Kock confirmed that he sent the e-mail reflected above to Moroe and copied Nenzani and Smith after he had made the telephone call to Moroe to inform him of the Stefanutti Stocks and CPUT developments.

5.12.27.9. Kock confirmed that he sent the email to Moroe on the latter’s advice to do so.

5.12.27.10. As discussed below, we determined that on 20 September 2019 when CSA appointed Odendaal as the WPCA Administrator and wrote a letter to notify WPCA of its step-in rights, CSA Management was aware that:

5.12.27.10.1. The amount owed to Stefanutti Stocks was paid;

5.12.27.10.2. That Stefanutti Stocks had withdrawn its suspension letter; and

5.12.27.10.3. The lease agreement with CPUT was signed.

**5.12.28. Knowledge of change in circumstances by the CSA President**

5.12.28.1. Emails and documentation reviewed by us as well as consultations conducted with Kock seem to indicate that Nenzani may have been aware of the CPUT signing as well as the withdrawal of the suspension letter by Stefanutti Stocks.

5.12.28.2. The following CSA individuals were on 9 September 2019 made aware of the change in circumstances around the Stefanutti Stocks suspension letter and signing of the CPUT agreement:

5.12.28.2.1. Chris Nenzani;

5.12.28.2.2. Thabang Moroe;

5.12.28.2.3. Welsh Gwaza;

5.12.28.2.4. Naasei Appiah;

5.12.28.2.5. Pholetsi Moseki; and

5.12.28.2.6. Ameena Smith.

5.12.28.3. During our consultations with Nenzani, he indicated that he could not remember if he received Kock's email of 9 September 2019. He undertook to check his emails and get back to us. Nenzani got back to us in an email sent to us on 5 June 2020 at 21:03 wherein he indicated that *"Below is the email I received from Adv. Nic Kock. I do not have an email coming from him dated the 9th of September 2019."*

5.12.28.4. In his written response relating to Kock's email of 9 September 2019, Nenzani indicated that he could not recall receiving and reading such an email and as such could not provide answers to questions relating to the email.

5.12.28.5. We obtained and analysed Nenzani's emails and determined that his email box contains the email from Kock sent on 9 September 2019. Based on the review of Nenzani's Metadata, it appears that he did not read the email.

5.12.28.6. An analysis of Moroe's emails reflected that Kock's email sent to him in which Kock copied Nenzani was indeed delivered to Moroe.

5.12.28.7. Khan indicated that management should have "come clean and advise" the board that the step-in was not required as the notice had been withdrawn because payment was made. Khan further stated that had management informed Board that Stefanutti Stocks had withdrawn the notice of suspension, the Board would not have exercised its step - in rights and would have saved CSA an embarrassing court action led by WPCA.

5.12.28.8. There is evidence that Moroe withheld information relating to the signing of the CPU lease and the withdrawal of the suspension letter by Stefanutti stocks, from the CSA Board.

**5.12.29. Appointment of the Administrator for WPCA step-in**

5.12.29.1. Documentation reviewed reflect that on 20 September 2019, CSA appointed Odendaal as the Administrator for the Western Province step-in<sup>49</sup>.

5.12.29.2. Nenzani indicated that the appointment of an Administrator on 20 September 2019 (14 days after management was mandated to step-in) was dependent on whether or not it was possible to do so earlier.

5.12.29.3. When asked why it took fourteen (14) days to appoint an administrator, Gwaza indicated that:

*"In order to exercise the step-in right, you need a structure and a person who will be the administrator. CSA does not have a panel of such persons readily available at its disposal, so one needs to source an administrator, who has knowledge of cricket administration. My understanding is that there are only a handful. Further, consideration is taken of the region, the politics, the mandate of the administrator etc as well as negotiating. The first person (I suspect it was Dave Richardson, but I stand to be corrected) approached declined, only after about possibly 6 days of discussions, if I am not mistaken, then Prof Odendaal was the second person approached and he agreed subject to certain conditions, after 14 days as he had to conduct extensive consultations with his stakeholders."*

5.12.29.4. Gwaza further indicated that implementation of step-in right is not as easy as it appears.

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<sup>49</sup> Refer Exhibit 49

- 5.12.29.5. We noted that a WPCA Independent Administrator contract was entered into between CSA and Odendaal. We further noted that the said agreement reflected that Odendaal was being appointed as an Independent Administrator of the WPCA as a result of CSA exercising its step-in rights in terms of the MoI.
- 5.12.29.6. Odendaal's appointment is reflected as commencing on 20 September 2019 until 30 September 2020 or such date as determined by the parties.
- 5.12.29.7. We noted that Odendaal and Zohra Ebrahim signed the agreement on 22 September 2019 as WPCA Independent Administrator and witness respectively. We further noted that neither Moroe nor any CSA representatives signed on the space provided for the CSA CEO's signature. The agreement contained an inclusive monthly amount of R50 000.00.
- 5.12.29.8. We noted that the WPCA appealed the CSA step-in decision and took the matter to the High Court. We determined that the matter was then referred to Arbitration.
- 5.12.29.9. On 26 November 2019, Ginsburg SC, the appointed Arbitrator, overturned the CSA decision to step-in. Odendaal's tenure as the WPCA administrator came to an end in November 2019.
- 5.12.29.10. The total amount due to Odendaal for the WPCA Administrator position is estimated to be approximately R125 000 for the period 20 September 2019 to 2 December 2019.
- 5.12.29.11. We were provided with a report dated 25 October 2019 produced by Odendaal during his tenure as WPCA Administrator. The said report is discussed below.

**5.12.30. Report dated 25 October 2019**

- 5.12.30.1. We noted that Odendaal issued his first report as Administrator, dated 25 October 2019.
- 5.12.30.2. We further noted that Odendaal mostly provided a background to his appointment and some of the immediate matters requiring his attention as the Administrator.
- 5.12.30.3. We noted that Odendaal's report *inter alia* reflected that as of 25 October, PropCo had in its account a total of R7,067,991.29 and further that the company was on course with its key payment schedules.

- 5.12.30.4. Odendaal's report further reflected that one of the outstanding issues attended to since the step-in had been the VAT refunds. The Administrator reflected that WPCA received R26 589.75 and R6,938,568.70 on 3 October 2019. The report further reflected that the two outstanding VAT refunds were R1,554,114.42 (August 2019) and R3,594,277.10 (October 2019).
- 5.12.30.5. From analysis of Odendaal's first report, it would appear that he reasonably attended to matters as the Administrator in ensuring that he fulfilled the obligation for which he was appointed.

**5.12.31. Report dated 2 December 2019**

- 5.12.31.1. We determined that Odendaal issued a second report dated 2 December 2019.
- 5.12.31.2. According to the report, Odendaal indicated that he was informed in late November 2019 that the CSA Members Council had accepted the outcome of the arbitration process and further that the WPCA Board suspended by CSA would be returning with immediate effect.
- 5.12.31.3. Odendaal referred to his second report as a hand over report to the WPCA Board.

**Legal Costs awarded against CSA**

- 5.12.31.4. We understand that the Arbitrator awarded costs against CSA. We further understand that WPCA had submitted a claim of R725 227.00 to CSA relating to the costs for the Arbitration incurred by WPCA.
- 5.12.31.5. Kock indicated that WPCA had submitted their claim to ENS as the attorneys representing CSA;
- 5.12.31.6. Kock further indicated that ENS ignored the email communication sent relating to the claim of R725 227.00 submitted.
- 5.12.31.7. Gwaza stated that it is not correct that ENS ignored the email communication from WPCA relating to the claim of R725 227.00
- 5.12.31.8. Gwaza stated that CSA's attorneys did their own calculation and arrived at a figure of R565 000.00 which is due and payable to WPCA.

**5.12.32. CSA notifies WPCA of step-in**

- 5.12.32.1. We noted that there was a letter dated 20 September 2019 and addressed to Nicolas Kock, President of the WPCA. The said letter was signed by Moroe.

- 5.12.32.2. The subject matter of the letter is reflected as *“Notice of the exercise of Cricket South Africa’s step-in rights with regards to the operations of Western Province Cricket Association”*.
- 5.12.32.3. The letter reflected that the Board of Directors of Cricket South Africa held a meeting on 6 August 2019. The letter further reflected that one of the agenda items of the meeting was the operations of WPCA and the projects the affiliate was currently involved in.
- 5.12.32.4. Nenzani indicated that it would have been correct to inform WPCA of the decision to step-in and the appointment of an Administrator before the appointment was made.
- 5.12.32.5. Khan indicated that the appointment of an Administrator on 20 September 2019 (14 days after management was mandated to step-in) showed inefficiency.
- 5.12.32.6. Moroe’s letter further reflected that the CSA Board was aware that on 22 February 2019, WPCA entered into an agreement relating to the development of the NCG. The letter further reflected that the tender was awarded to Stefanutti Stocks for the construction works, and further that WPCA was obligated to pay for the construction costs.
- 5.12.32.7. Moroe’s letter further reflected that on 6 September 2019, WPCA submitted an additional request for a short-term interim loan to CSA in the amount of R8 million, the purpose of which was to enable WPCA to pay Stefanutti Stocks an amount of R7 513 757.99 which was overdue by the time of the request for the said additional loan.
- 5.12.32.8. The letter reflected that the CSA Board was of the view that the WPCA Board of Directors *“continued to operate the business of WPCA in distressed conditions, which was contrary to the membership requirements placed on all members of CSA”*.
- 5.12.32.9. The letter further listed the following five concern areas relating to how the WPCA administrative and financial affairs had been conducted from the time the NCG stadium development project commenced to date of the letter:
- 5.12.32.9.1. *Lack of proper accounting records for the NCG stadium development project;*
- 5.12.32.9.2. *Failure of the WPCA and its subsidiary, WPCA PropCo to submit VAT reclaims;*



- 5.12.32.9.3. *Certain persons on the WPCA Board negotiated and concluded certain agreements/arrangements on behalf of WPCA and PropCo with third parties apparently without the mandate or authority to do so;*
- 5.12.32.9.4. *WPCA's inability to conclude its year-end statutory audits for reasons which have not been provided, such that the WPCA AGM had to be postponed, then adjourned due the auditors not having issued an audit opinion; and*
- 5.12.32.9.5. *Lack of relevant expertise within WPCA and its subsidiary to provide the requisite support for certain areas of both the WPCA and the PropCo's business.*
- 5.12.32.10. Moroe's letter reflected that in light of the contents thereof, the CSA Board resolved to institute its rights in terms of clause 12.3 and 12.4 of the CSA MOI. The letter referred to an extract from the CSA MOI reflecting the clauses applicable regarding the CSA exercise of its step-in rights.
- 5.12.32.11. We noted that the letter did not refer to the signing of the lease with CPUT or the withdrawal of Stefanutti Stocks from the project due to non-payment.
- 5.12.32.12. We noted that WPCA dealt with all the above CSA concerns in its heads of argument submitted in the WPCA's court application to set aside the CSA step-in rights exercise. We are not going to repeat WPCA's arguments in this regard.
- 5.12.32.13. We however noted that CSA did not respond to WPCA's arguments relating to the reasons upon which CSA based the decision to exercise its step-in rights.
- 5.12.32.14. Kock indicated that CSA communicated the step-in exercise on 21 September 2019.
- 5.12.32.15. As discussed above, Moroe wrote the letter dated 20 September 2019 informing the WPCA Board of the appointment of Odendaal as the WPCA Administrator. The letter further informed the WPCA Board of the CSA Board's decision to exercise its step-in rights.
- 5.12.32.16. Kock indicated that Moroe's letter was only received by WPCA Board on 21 September 2019 and as such the WPCA Board became aware of the CSA decision to step in on 21 September 2019.
- 5.12.32.17. Kock's e-mail of 9 September 2019 is evidence that prior to the appointment of the Administrator and notifying WPCA of CSA's decision to exercise step-in

rights on 20 September 2019, Moroe, Nenzani, Gwaza may have been aware that the CPUT lease agreement was signed on 9 September 2019 and further that Stefanutti Stocks had withdrawn its suspension notice letter on 6 September 2019.

5.12.32.18. We noted an e-mail from Marius Schoeman to Steve Cornelius dated 13 February 2020 at 14:27. The e-mail, the subject of which is reflected as “Confidential” reflected *inter alia* that “While the decision to use Step-In-Rights was taken before my time, I recall the impromptu Board Meeting after 2019 AGM where the Board gave directive to CSA Management to action the decision to exercise Step-In-Right. I recall that reference was made to the absence of signed lease agreement with anchor Tenant and the letter of suspension received from Contractor Steff Stock due to non-payment as the “trigger” for instructing Management to action the Step-In-Rights. My questions is – what is the probability that the Board may have stopped CSA Management from actioning the Step-In-Rights if the Board was aware of the fact that lease agreement was signed and Steff Stock having withdrawn suspension letter? This given the fact that Management had not yet appointed Administrator by the 10th of September (the date of the email).

5.12.32.19. During our consultations with Nenzani, we referred him to Kock’s e-mail of 9 September 2019 and enquired from him if the CSA Board would have continued exercising the step-in rights had the Board been made aware of the signing of the CPUT lease agreement and the withdrawal of the suspension letter by Stefanutti Stocks.

5.12.32.20. Nenzani stated that had the board been made aware of the signing of the CPUT lease, and the withdrawal of the suspension letter by Stefanutti Stocks after 6 September 2019 but prior to 20 September 2019, the CSA board would have come to a different conclusion and not exercise the step-in rights as the circumstances would have significantly changed.

5.12.32.21. During our consultation with Cornelius, he indicated that at the Board meeting of 6 September 2019, he specifically indicated to the CEO and other members of the Executive that he foresaw that the WPCA board would take legal action against CSA for exercising the step-in rights. Cornelius further stated that he warned the executives to ensure that CSA followed proper procedures in exercising the step-in rights.

- 5.12.32.22. Cornelius indicated that the main reason he supported the exercise of the step-in rights was because the Board was informed that Stefanutti Stocks were ready to walk away from the project. Cornelius further indicated that if he had known about the payment and the withdrawal of the notice by Stefanutti Stocks, he would not have supported the step-in.
- 5.12.32.23. Cornelius indicated that he only learnt of the relevant communication from Kock at a subsequent Member's Council meeting.
- 5.12.32.24. Nenzani, Khan and Zinn indicated that the CSA Board was not made aware that the CPUT lease agreement was signed prior to CSA exercising the step-in rights on 20 September 2019. They further stated that the CSA Board was not made aware that Stefanutti Stocks withdrew its suspension letter prior to CSA exercising the step-in rights.
- 5.12.32.25. Williams however indicated the following in his written response relating to whether CSA would have exercised its step-in rights if the Board was made aware of the withdrawal of the notice:
- "From the various engagements, it is my view that the Board was aware of the withdrawal notice but was primarily concerned about WPCA management of the project including the financial control and directing of the resources to meeting the objectives".*
- 5.12.32.26. Gwaza and Moseki indicated that the signing of the CPUT lease agreement as well as the withdrawal of the suspension letter by Stefanutti Stocks were not the only triggers that led to CSA to exercising its step-in rights.
- 5.12.32.27. While Gwaza and Moseki's version is correct about other factors relating to the decision to exercise the step-in rights, the CSA Board members indicated that CSA Management did not provide the Board with all relevant information for the Board to fulfil its fiduciary duties in deciding whether or not to continue with exercising the step-in rights.
- 5.12.32.28. It is also worth noting that Moroe left out the two critical triggers in his letter to WPCA dated 20 September 2019 in which he informed WPCA of the CSA decision to exercise step-in rights. Moroe knew (based on email communication sent to him by Kock and a telephone call from Kock to him) that both the two triggers were complied with and including them in the letter would have been an apparent misrepresentation on his part.

5.12.32.29. Williams indicated that he could not comment on whether Management failed to inform the Board about the withdrawal of the suspension letter as he was not aware of the said withdrawal letter at the time.

5.12.32.30. Williams further indicated that “ The *step-in rights decision was taken by the Board and there was a delay informing WPCA of this decision. In my view, this may have caused a major problem as during the delay, the lease was signed and the property was lodged and registered. After registration of the transfer, monies were made available to WPCA and flowed into the project*”.

### 5.12.33. **Outcome of WPCA appeal**

5.12.33.1. The information included below is for purposes of completeness in determining the sequence of events after CSA exercised its step-in rights on WPCA.

5.12.33.2. As discussed above, on 20 September 2019 CSA exercised its the step-in rights on the WPCA. We further understand that in exercising its step-in rights, CSA needed to follow processes as outlined in the MoI as described above.

5.12.33.3. We further understand that the CSA Board mandated Moroe to appoint an Administrator for the WPCA. Moroe appointed Odendaal to take over the control and running of WPCA.

5.12.33.4. We understand that subsequent to the exercising of the said step-in rights, CSA Exco held a meeting with Odendaal, and the operations team led by Dien in which the steps required to be taken were discussed and agreed to, including, but not limited to the question of the hosting of the New Year Test.

5.12.33.5. The appointment of the Administrator resulted in the suspension of the WPCA Board.

5.12.33.6. We understand that on 30 September 2019, CSA received a letter from lawyers representing members of the suspended WPCA Board members objecting to the exercise of the step-in rights by CSA. The letter cited that CSA’s actions were *ultra vires* of CSA’s powers under the CSA MoI.

5.12.33.7. The WPCA lawyers’ letter further reflected that CSA’s actions were grossly procedurally unfair and contrary to the well-established principles of natural justice. We further understand that the suspended WPCA Board claimed that the factual averments relied upon in the suspension and step-in, letter in terms of which the step-in rights were communicated, was an attempt to justify

CSA's actions which actions were demonstrably untrue and factually incorrect.

5.12.33.8. We understand that the suspended WPCA Board demanded that:

5.12.33.8.1. CSA immediately ceases and suspends any steps taken (or to be taken) that would give effect to its purported "step-in rights" to take over WPCA's affairs (and do all things necessary to give effect thereto); and

5.12.33.8.2. CSA issue a public statement confirming this, by no later than 12h00 on Wednesday, 2 October 2019.

5.12.33.9. We understand that the WPCA Board's Attorney letter advised that if the above demands were not complied with, the suspended Board would approach the Western Cape High Court for urgent relief.

5.12.33.10. E-mail communication from Gwaza to the CSA Board reflects that on 2 October 2019, CSA responded to the suspended WPCA Board and informed them that CSA could not provide a substantive response to their letter of 30 September 2019 within the period required by the suspended Board.

5.12.33.11. Documentation reviewed further reflects that on 3 October 2019, CSA received further correspondence from the suspended Board wherein they referred the matter of the exercise of the step-in rights for resolution in terms of clause 35 of the CSA MoI as reflected above. The relevant clause stipulates *inter alia* that "no club, club member, official Prescribed Officer, Office Bearer or Member shall approach a court of law to decide a dispute it has with a body or individual falling under the jurisdictions of the company."

5.12.33.12. The WPCA Board's letter of 3 October 2019, further reflected that the suspended Board required that a round table meeting with the CSA CEO be convened on 4 October 2019 or 5 October 2019. We understand that, failing resolution on the round table discussion, the matter was required to be referred to mediation on an urgent basis.

5.12.33.13. The WPCA letter of 3 October 2019 further reflected that should mediation fail to resolve the matter, the suspended Board required that the matter be referred for arbitration on an expedited basis and such arbitration should be concluded by no later than 11 October 2019.

5.12.33.14. We determined that clause 35 of the CSA MoI requires that any person or party having a dispute within the CSA structures should refer such dispute to the CEO for resolution.

5.12.33.15. We understand that on 8 October 2019, the suspended WPCA Board sent Kock and Fagmeedah Petersen-Cook as the Board's representatives to have a round table discussion with CSA representatives regarding the exercise of the step-in rights. We further understand that CSA was represented by Moroe, Nkuta and Gwaza as its CEO, Acting CFO and CoSec respectively.

5.12.33.16. As set out in the limitations section of our report, we requested to consult with Moroe, through his attorneys. He indicated, through his attorneys, that he requested CSA to provide him with documentation in order for him to prepare for our consultation. To date of this report, we are not aware whether the said requested documentation had been provided to Moroe.

#### 5.12.34. **Conclusions relating to WPCA step-in**

##### **Purchasing and Renovation of the NCG**

5.12.34.1. WPCA purchase NCG from WPCC in 2002;

5.12.34.2. In 2019 WPCA partnered with Sanlam in a new office-block development estimated to be in the region of R800 million; and

5.12.34.3. WPCA Board appointed EduDev, represented by Des Raymer as the Development Director, to be their partner in the development of NCG.

##### **Appointment of Stefanutti Stocks**

5.12.34.4. WPCA registered WPCA Property Company (PTY) Ltd ("PropCo") to be utilised as a vehicle for the construction work at the NCG.

5.12.34.5. Sanlam and PropCo held 51% and 49% shares of the NCG project respectively.

5.12.34.6. WPCA and CSA held 76% and 24% shares in PropCo respectively.

5.12.34.7. WPCA took a decision to go out on tender; resulting in the appointment of Stefanutti Stocks to provide construction and renovation work at the NCG.

##### **Loans Advance to WPCA by CSA for NCG Renovations**

5.12.34.8. WPCA approached CSA and applied for loans three loans to the value R87 598 484.00 for NCG Renovations, broken down as follows:

5.12.34.8.1. R5 million on 11 April 2019;

5.12.34.8.2. R48,9 million in terms of an agreement dated 28 May 2019; and

5.12.34.8.3. R33,698,484 under an agreement dated 6 August 2019.

#### **Suspension of construction work by Stefanutti Stocks**

5.12.34.9. During August and September 2019, WPCA failed to honour its payment arrangement with Stefanutti Stocks resulting in the latter issuing a suspension notice to stop construction work at NCG;

5.12.34.10. WPCA paid R698,484.00 to Stefanutti Stocks on 6 September 2019 and approached CSA to advance a further loan of approximately R7.5 million, which was not granted by CSA;

5.12.34.11. Kock notified Gwaza on 6 September 2019 that a payment of R698,484.00 had been made and that Stefanutti Stocks had undertaken to continue with the construction project at NCG;

#### **CSA exercises step-in rights on WPCA**

5.12.34.12. CSA's Board meeting of 6 September 2019 and 7 September 2019 took a decision to exercise its step-in rights on WPCA following various financial concerns relating to the management of the NCG construction project;

5.12.34.13. The Board meeting of 6 September 2019 took a preliminary in-principle decision that, given the state of the WPCA at the time, it had to exercise its step-in rights over WPCA subject to management presenting further on the specific issues related to the conduct of the WPCA;

5.12.34.14. The CSA Board of 6 September 2019 resolved to request management to consider the Board's request regarding the conduct of the WPCA, specifically on the question of the exercise of the step-in rights and subsequently advise the Board once all the issues had been considered;

5.12.34.15. The main triggers discussed in the CSA Board meeting of 6 September 2019 and 7 September 2019 were the signing of the lease agreement with CPUT and the withdrawal from the project by Stefanutti Stocks;

5.12.34.16. The signing of the lease agreement with CPUT and the suspension letter from Stefanutti Stocks were so crucial that Zinn, Khan, Cornelius and Nenzani indicated that the Board would not have exercised its step-in rights had they been informed that the two triggers were complied with;

- 5.12.34.17. The CSA Board meeting of 7 September 2019 included other considerations in addition to the signing of the lease agreement and the suspension of construction works by Stefanutti Stocks;
- 5.12.34.18. The said other considerations were the following:
- 5.12.34.18.1. The threat to cricket as posed by the manner in which the WPCA had conducted its business without taking due consideration of the impact of such decisions;
  - 5.12.34.18.2. Lack of proper accounting records for the NCG stadium development project;
  - 5.12.34.18.3. Failure of the WPCA and its subsidiary, PropCo to submit VAT reclaims timeously;
  - 5.12.34.18.4. Certain persons on the WPCA Board negotiating and concluding certain agreements/arrangements on behalf of WPCA and PropCo with third parties apparently without the mandate or authority to do so from either WPCA or PropCo;
  - 5.12.34.18.5. WPCA's inability to conclude its year-end statutory audits for reasons which have not been provided, such that the WPCA AGM had to be postponed, then adjourned due the auditors not having issued an audit opinion;
  - 5.12.34.18.6. Potential breach of certain agreements related to the project including the loan agreement entered into with CSA as a result of alleged misappropriation of funds; and
  - 5.12.34.18.7. Lack of relevant expertise within WPCA and its subsidiary to provide the requisite support for certain areas of both the WPCA and the PropCo's business.
- 5.12.34.19. The CSA Board of 7 September 2019 instructed Management to exercise step-in rights over WPCA with immediate effect;
- 5.12.34.20. Management failed to exercise step-in rights with immediate effect as they only informed WPCA of the decision to step-in on 21 September 2019 (14 days later) in a letter dated 20 September 2019;
- 5.12.34.21. Management compromised the step-in right process by taking 14 days to implement the decision of 7 September 2019;



5.12.34.22. Moroe, as the CEO and Prescribed Officer in terms of Section 66 of the Companies Act represented Management and should have therefore taken the lead in ensuring that the Board's directive was implemented without delay.

#### **Signing of the CPUT Lease Agreement**

5.12.34.23. The signing of the CPUT lease agreement was one of the triggers that led to CSA exercising step-in rights on WPCA;

5.12.34.24. Had ADvTECH and CPUT failed to sign the lease agreement, Sanlam and Standard Bank would have withdrawn from the project resulting in the project collapsing;

5.12.34.25. Moroe was notified by Kock on 9 September 2019 that the CPUT lease agreement was signed on the same day;

5.12.34.26. Moroe failed to inform the CSA Board of the change in the trigger that CPUT lease agreement had been signed;

5.12.34.27. Moroe failed to notify the Board that Stefanutti Stocks was paid and withdrew their suspension letter;

#### **CSA notifies WPCA of Step-in**

5.12.34.28. CSA Board's decision to exercise its step-in rights over WPCA was taken on 7 September 2019; CSA Management took 13 days to appoint an Administrator for the exercising of CSA step-in rights on WPCA regardless of the Board's instruction that the step-in rights be exercised with immediate effect;

5.12.34.29. CSA Management took 14 days to notify WPCA of the CSA Board decision to exercise its step-in rights;

5.12.34.30. There is no indication that CSA Management afforded WPCA an opportunity to address the concerns that led to CSA Board taking a decision to exercise its step-in rights;

5.12.34.31. The decision of the CSA Board to exercise its step-in rights was based on the failure of WPCA to sign the lease agreement with CPUT as well as the failure of WPCA to pay Stefanutti Socks, resulting in the construction company issuing a letter of notice of suspension of construction work at NCG;

5.12.34.32. The signing of the CPUT lease agreement and the withdrawal of the letter of notice of suspension of work by Stefanutti Stocks were the two main triggers

that, if complied with, the CSA Board would not have exercised the step-in rights;

5.12.34.33. In notifying WPCA of CSA's decision to exercise its step-in rights in his letter of 20 September 2019, Moroe only listed the items reflected as "other considerations" in the minutes of 7 September 2019;

5.12.34.34. Moroe did not refer to the two main triggers *i.e.* non-signing of the CPUT lease agreement and the notice of suspension of construction works by Stefanutti Stocks;

5.12.34.35. Moroe and CSA Management failed to comply with clause 12.4.2 of the MOI which required that the Board shall as soon as possible after determining that action is required to be taken by the Company as contemplated in clause 12.4.1, notify the Affiliate Member or Associate Member in writing thereof;

5.12.34.36. Moroe withheld information relating to the signing of the CPUT lease and the withdrawal of the suspension letter by Stefanutti Stocks, from the CSA Board.

5.12.34.37. Despite not being a director of CSA, Moroe is a Prescribed Officer in terms of section 66 of the Companies Act as he exercises general executive control over and management of the whole, or a significant portion, of the business and activities of CSA, regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of CSA;

5.12.34.38. As the Prescribed Officer, Moroe contravened section 76(2) in that he failed to act in good faith and for a proper purpose and in the best interests of the company by withholding information relating to the signing of the lease agreement as well as the withdrawal of the suspension letter by Stefanutti Stocks;

5.12.34.39. Arbitrator awarded costs against CSA amounting to R725 227.00 for the costs incurred by WPCA in respect of the arbitration.

#### 5.12.35. **Recommendations relating to WPCA step-in**

5.12.35.1. Based on the conclusions discussed above, we recommend that CSA Board considers instituting disciplinary action against Moroe for the following:

5.12.35.1.1. Contravening section 76(2) of the Companies Act in that he failed to act in good faith and for a proper purpose and in the best interests of the company by withholding information relating to

the signing of the lease agreement as well as the withdrawal of the suspension letter by Stefanutti Stocks;

- 5.12.35.1.2. Failure to comply with clause 12.4.2 of the MoI which required that the Board shall as soon as possible after determining that action is required to be taken by the Company as contemplated in clause 12.4.1, notify the Affiliate Member or Associate Member in writing thereof;
- 5.12.35.1.3. Failure to exercise step-in rights with immediate effect as he only informed WPCA of the decision to step-in on 21 September 2019 (14 days later) in a letter dated 20 September 2019;
- 5.12.35.1.4. Failure to act with integrity in that he failed to inform the CSA Board of the change in the trigger and that the CPUT lease agreement had been signed;
- 5.12.35.1.5. Contravening section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the company as carried out by him, and having his general knowledge, skill and experience by not informing the Board of the signing of the CPUT lease agreement and withdrawal of the suspension notice by Stefanutti Stocks; and
- 5.12.35.1.6. Contravening Section 66 of the Companies Act in that he failed to take the lead in ensuring that the Board's directive was implemented without delay; and
- 5.12.35.1.7. For causing the CSA to incur costs in the amount of R565 000.00 relating to the arbitration matter against WPCA which costs could have been avoided had he exercised due care, skill and diligence as expected of a director.

#### **Conflict of Interest relating to R5 million loan application**

5.12.35.2. Based on review of documentation and consultations conducted, we conclude as follows:

- 5.12.35.2.1. Khan and Williams were part of FinCom of 11 April 2019 that approved the R5 million loan to WPCA;

- 5.12.35.2.2. Khan is a COO of Brimstone, with his CEO being Mustaq Brey, an Independent Director and Chairman of the FinCom of WPCA;
- 5.12.35.2.3. Khan Chaired the FinCom of 11 April 2019 which approved the R5 million loan to WPCA one of whose Independent Director of WPCA is Mustaq Brey, Khan's CEO at Brimstone;
- 5.12.35.2.4. There was potential conflict of interest in Khan chairing the FinCom meeting of 11 April 2019 and being part of the decision-making body in granting R5 million loan to WPCA;
- 5.12.35.2.5. Khan was warned by Ndziba about a similar conflict of interest incident where he was about to chair a FinCom meeting presiding over a loan application from WPCA;
- 5.12.35.2.6. Khan admitted that there was conflict in the incident he was referred to by Ndziba and recused himself from the process, Khan should therefore have recused himself from the WPCA loan application of R5 million as the circumstances were similar;
- 5.12.35.2.7. Although there may not have been financial gain for Khan in the approval of the R5 million loan to WPCA, he needed to consider the qualitative factors as well;
- 5.12.35.2.8. Khan's relationship with Brey could have been considered as a material relationship (employee and employer) that could have influenced his decision in the approval of the R5million loan to WPCA;
- 5.12.35.2.9. Although there may not have been an actual conflict, there may have been a perception CSA approved the loan to WPCA because of Khan's potential influence on the CSA Board and his relationship with Brey;
- 5.12.35.2.10. Khan contravened section 75(5)(a) of the Companies Act in that he failed to disclose a conflict of interest relating to his relationship with Brey;
- 5.12.35.2.11. William was the WPCA President prior to being appointed as CSA Vice President and should have identified a potential conflict of interest and recused himself from sitting in the

FinCom meeting that approved the R5 million loan application by WPCA;

5.12.35.2.12. The fact that Williams set in the meeting and decided not to participate in the deliberation and approval of the R5 million loan to WPCA is evidence that he appreciated the fact that he was conflicted;

5.12.35.2.13. Williams should have recused himself from the deliberations and approval of the R5 million loan to WPCA;

5.12.35.2.14. Williams and Khan contravened section 75 (5) (d) of the Companies Act as they failed to recuse themselves from the FinCom meeting of 11 April 2019 where R5 million loan to WPCA was approved.

#### 5.12.36. **NWC Step-in**

#### 5.12.37. **Background**

5.12.37.1. We understand that CSA received concerns about allegations of misappropriation of funds that were disbursed to North West Cricket “(NWC”) for the stadium upgrade project undertaken at the North West Stadium in Potchefstroom.

5.12.37.2. We understand that the funds disbursed to NWC were part of the funds made available to eleven of CSA’s fourteen members to upgrade their stadia in preparation of the Global League T20 tournament that was supposed to have started in November 2017.

5.12.37.3. We understand that the allegations related to alleged irregularities pertaining to the appointment of suppliers and contractors to conduct various projects as part of the stadium upgrade project.

5.12.37.4. We further understand that part of the allegations related to the cost implications of the said project.

5.12.37.5. Our mandate was not to conduct an investigation relating to the allegations made as these have already been investigated by Deloitte and a report produced. Our mandate is to investigate the adequacy of the information provided to the CSA Board by management resulting in the Board’s decision to exercise CSA’s step-in rights over the NWC.

#### 5.12.38. CSA decision to exercise step-in rights

5.12.38.1. Documentation reviewed by us reflect that on 5 December 2018, Nenzani signed a letter addressed to the following<sup>50</sup>:

5.12.38.1.1. Oupa Nkagisang;

5.12.38.1.2. Members Council of North West Cricket Union; and

5.12.38.1.3. North West Cricket Union Board of Directors.

5.12.38.2. The subject of the letter is reflected as “NOTIFICATION OF THE RESOLUTION ADOPTED BY THE BOARD OF CRICKET SOUTH AFRICA TO DULY EXERCISE THEIR STEP-IN RIGHTS IN RELATION TO THE ADMINISTRATIVE AND FINANCIAL AFFAIRS OF NORTH WEST CRICKET UNION”

5.12.38.3. Nenzani’s letter highlighted *inter alia* that on the request of NWC, CSA Internal Audit conducted a preliminary assessment on the Stadium Upgrade Project. The letter further reflected that the Internal Audit Report was issued to the NWC Board on 31 August 2018 and requested NWC management to provide further information in response to the audit findings.

5.12.38.4. Nenzani’s letter reflected that CSA Board believed that there was a need to take urgent action and exercise step-in rights in accordance with clauses 12.3 and 12.4 of the CSA MoI.

#### 5.12.39. Appointment of the Administrator

5.12.39.1. Documentation reviewed reflected that on 5 December 2018, CSA appointed Archie Pretorius (“Pretorius”) as the Administrator for NWC.

5.12.39.2. Moroe signed a letter dated 5 April 2019 which informed Standard Bank Card Division that Pretorius was appointed as NWC Administrator for six months effective on 5 December 2018.

5.12.39.3. Madiseng indicated that he was not part of the Board that took the decision to exercise step-in on NWC.

5.12.39.4. Madiseng further stated that the decision to appoint the Administrators took place between the President of CSA and the Operational team. He further indicated that the Board was not consulted

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<sup>50</sup> Refer Exhibit 50

- 5.12.39.5. Based on Moroe's letter, we determined that the Administrator's contract should have expired on 5 June 2019 or be formally extended for a further period.
- 5.12.39.6. We could not find any documentation confirming that the Administrator's contract was extended. Pretorius indicated that he did not sign any contract extension document.
- 5.12.39.7. Pretorius' appointment was on a total monthly cost of R50 000.00 per month.
- 5.12.39.8. We determined that Pretorius was paid a total of R722 814.30 as at April 2020. Pretorius stated that he was required to pay his own tax from the R50 000.00 per month payment he received from CSA.
- 5.12.39.9. Pretorius indicated that when the contract expired, he spoke to Nkuta who indicated that the contract would be on a month to month basis.
- 5.12.39.10. The appointment of Pretorius as the Administrator was sanctioned and approved by the CSA Board as reflected in Nenzani's letter discussed above.
- 5.12.39.11. The approval of the six months period and the total amount of R50 000.00 per month over the six-month period (R300 000.00) was approved by the CSA Board by virtue of the approval of the appointment of the Administrator for six months.
- 5.12.39.12. There is no indication that the CSA Board approved the appointment of the Administrator for the period exceeding six months.
- 5.12.39.13. CSA provided us with an email from Oupa Nkagisang, a former board member of NWC. The said email dated 11 June 2020 was sent to the CSA Board, CSA Members Council, Faul and Pretorius and copied Cindy du Plessis. The subject matter of the email was "*Urgent release of the NWC Report*".
- 5.12.39.14. In his email of 11 June 2020, Nkagisang indicated that he was writing the email to find conclusion on a long outstanding matter which brought his reputation and his name under the spotlight.
- 5.12.39.15. According to Nkagisang's email, in the memorandum dated 5 Decembers 2018 from the CSA President to the Members Council copied in his email, the Board of Directors and CSA Exco, the President and the Board resolved to place North West Cricket under administration for what was purported to be maladministration.

- 5.12.39.16. In his email, Nkagisang indicated that the CSA President was quoted in the press release that the matter would be expedited as per the press release dated 13 December 2018. Nkagisang further stated that it was alarming that no expediency was exercised in handling the matter.
- 5.12.39.17. Nkagisang further indicated that it seemed CSA's interpretation of its own statutes was lacking as clause 12.4.2.4 of the CSA MOI clearly stipulates that "the time period (the "Step-In Period") which it reasonably believes will be necessary for such action". Nkagisang indicated that it is a glaring error in this interpretation and the action taken so far would not pass the reasonable man test as clear lack of interest or inability to conclude this matter is evident.
- 5.12.39.18. Nkagisang indicated that it was 19 months (554 days) to date of his email since the process started and he had been misled, told stories and possibly lied to.
- 5.12.39.19. During our consultation with Pretorius, he indicated that he had addressed most of the items that he was appointed to address. He further indicated that his term would end at the next AGM in 2020.
- 5.12.39.20. Pretorius indicated that *"In respect of the letter by Nkagisang and circumstances surrounding the extended time period, it must be noted that when I took over the company as administrator, the company was dysfunctional and was barely afloat, to the extent (sic) that suppliers could not be paid. The Company has since been turned around and will for this past financial year reflect a profit being made"*
- 5.12.39.21. While we are aware that the Administrator was appointed for a period of six months or "such period as the NWC affairs would have been brought to acceptable standards", the extension should have been brought to the CSA Board for approval as it *inter alia* carried financial obligations to CSA.
- 5.12.39.22. As at date of this report, CSA had paid R422 814.30 more than the original approved amount for the NWC Administrator.
- 5.12.39.23. Documentation reviewed reflected that Pretorius' roles as the NWC are reflected as follows:
- 5.12.39.23.1. *Have broad oversight on cricket, finance, governance, and administration of the Union/NWC (North West Cricket);*
- 5.12.39.23.2. *In addition to point 1 above, act in an advisory capacity as well as chair the relevant governance committees should meetings be deemed necessary;*



- 5.12.39.23.3. *Ensure that management of the day-to-day business of the Union is being carried out effectively by the CEO and his management team;*
- 5.12.39.23.4. *Oversee the forensic audit and provide CSA with weekly status reports and key developments on the investigations;*
- 5.12.39.23.5. *Provide CSA with weekly status updates on the finance and operations of NWC;*
- 5.12.39.23.6. *Oversee the conclusion of the external statutory audit of NWC for the financial year ending 30 April 2018, after the conclusion of the forensic audit;*
- 5.12.39.23.7. *Ensure that the accounting records and books of account of NWC for the financial year ending 30 April 2019 are up to date and ready for the 2019 statutory audit;*
- 5.12.39.23.8. *Ensure that NWC has implemented a system of sound internal controls as well as relevant policies and procedures;*
- 5.12.39.23.9. *With the assistance of CSA draft and implement terms of reference for NWC's Board Committees and Members Council and a Board Charter;*
- 5.12.39.23.10. *With the assistance of CSA draft and implement terms of reference for NWC's Board Committees and Members Council and a Board Charter;*
- 5.12.39.23.11. *Implement and or address the recommendations and findings of the various audits;*
- 5.12.39.23.12. *Conduct the 2018 Annual General Meeting (AGM) of NWC; and*
- 5.12.39.23.13. *Implement and or address the recommendations and findings of the various audits.*

**5.12.40. Reports issued by the NWC administrator**

- 5.12.40.1. Documentation provided to us by CSA reflect that Pretorius produced four reports which were submitted to CSA in relation to the NWC Step-in. The said reports were issued as follows:
  - 5.12.40.1.1. A progress report dated 7 February 2019;
  - 5.12.40.1.2. A progress report dated 2 April 2019;
  - 5.12.40.1.3. A progress report dated 25 June 2019; and
  - 5.12.40.1.4. A progress report dated 7 January 2020.

5.12.40.2. During our consultation with Pretorius, he indicated that he issued 7 reports to CSA. Pretorius further indicated that the 7th report was in the form of a detailed email he sent to Moroe providing an update on the North West administration.

**5.12.41. Progress report dated 7 February 2019**

5.12.41.1. We obtained and reviewed a memorandum dated 7 February 2019 and addressed to the chairman of CSA AuditCom. The memorandum is titled "*RE: PROGRESS REPORT IN TERMS OF THE STEP-IN RIGHTS IN RELATION TO THE ADMINISTRATIVE AND FINANCIAL AFFAIRS OF THE NORTH WEST CRICKET UNION*".

5.12.41.2. The memorandum, which is unsigned, reflects the author thereof as Pretorius, in his capacity as the appointed Administrator for the NWC.

5.12.41.3. We noted that the memorandum from Pretorius was an update of items that had already been addressed in terms of CSA step-in rights in the NWC.

5.12.41.4. Paragraph 1 of the memorandum listed the following five items that were to be implemented to give effect to the step-in rights:

5.12.41.4.1. The appointment of the Administrator to take over the administration, governance, and financial affairs of NWC;

5.12.41.4.2. The mandate of the Administrator to provide monthly reports to CSA during the step-in period;

5.12.41.4.3. The appointment of an independent forensic auditor by the Audit and Risk Committee to investigate the matters relating to the allegations of possible fraud with regard to the stadium upgrades;

5.12.41.4.4. The task of the appointed Administrator to oversee the immediate conclusion by PwC of the external statutory audit on NWC for the financial year ended 30 April 2018; and

5.12.41.4.5. The task of the appointed Administrator to conduct the Annual General Meeting of NWC for the financial year ended 30 April 2019.

#### 5.12.42. CSA AUDITCOM meeting

- 5.12.42.1. Minutes of the CSA AuditCom meeting of 12 February 2019 reflect *inter alia* that the committee considered the circumstances and events which resulted in management's recommendation for CSA to exercise its step-in rights as per clause 12 of the CSA MoI, and approved process based on the maladministration identified at NWC.
- 5.12.42.2. The minutes further reflected that management was requested to obtain the necessary Board approval via Circular Resolution and proceed with the implementation by first appointing an administrator to oversee the restoration of the union's affairs.
- 5.12.42.3. We noted that the NWC Administrator was appointed for a six-month period and further that the said period did not terminate at the expiry of the six-month period. NWC is still under administration as at time of this report.
- 5.12.42.4. We were not provided with any documentation reflecting any formal extension of the Administrator's tenure beyond the original six-month period.
- 5.12.42.5. We could not find any indication that Management went to the Board to request an extension of the administration for NWC.
- 5.12.42.6. Nenzani indicated that in his view, the Administrator needed additional time in order to conclude the work.
- 5.12.42.7. Pretorius indicated that *"The time period as was eluded to by Nenzani was indeed needed as a 6 month tenure would not have sufficed. I recall that when Gauteng was previously placed under administration by CSA, Ray Mali took more than (sic) 2 years to address the issues, and if I recall correctly at substantially more cost to the company"*.
- 5.12.42.8. Khan however indicated that the Administrator should have concluded the work swiftly.
- 5.12.42.9. In his response to Khan's assertion, Pretorius stated that *"It is my contention that Khan as chairperson of the AuditCom and Finance and being a director of the company could have questioned the extension period if he felt that the work is taking too long. It was under his tenure that Annual Financial statements were not drawn up and not submitted. As a director he could and should have questioned these when in office and not after the fact"*

5.12.42.10. Moroe and the Management Team failed to seek extension approval from the Board.

5.12.42.11. Nenzani indicated that the appointment of the Administrator was delegated to the Moroe and as such was authorised to take reasonable action to ensure that the work of the Administrator of exhaustively concluded.

5.12.42.12. Khan indicated that the Board should have approved the extension beyond the initial 6 months period that was set to complete the administration of NWC.

5.12.42.13. Pretorius indicated that it is debatable whether Moroe and CSA management were not able to themselves extend the term of the administrator or should have approached the board. Pretorius further stated that the board was well aware that he was still on board as he attended the members council meetings. According to Pretorius, no objections were raised or questions posed as to the time period.

**5.12.43. Progress report dated 2 April 2019**

5.12.43.1. We obtained and reviewed a 4-page progress report issued by Pretorius dated 2 April 2019. The said report was addressed to the CSA's CE, COO and Finance Manager as well as the Chairman of CSA AuditCom.

5.12.43.2. The structure of the progress report reflects 3 subheadings namely Corporate Governance, Deloitte Report and Human Resource.

5.12.43.3. We noted that the report reflected *inter alia* that various areas of good corporate governance had been achieved. The report listed various corporate governance areas which are reflected as achieved.

5.12.43.4. We further noted that the report reflected that the Deloitte forensic report was submitted on 28 March 2019 and was in the process of being reviewed, ostensibly by the Administrator. The Administrator report reflected that the Deloitte report mentioned various additional issues that were identified for investigation. The Administrator did not reflect whether a decision was taken to have the said matters investigated.

5.12.43.5. Under the Human Resource heading, the Administrator's report reflected *inter alia* that an employee contract was drawn up and finalised with the NWC CEO, HP Prinsloo.

5.12.43.6. The Administrator's report provided a table of what is reflected as a salary review relating to salary increases received in 2007 and 2008. The Administrator concluded that certain employees received salary increases and benefits "*way outside the boundaries of the average*".

5.12.43.7. Pretorius indicated that no action relating to the irregular salary increases was possible as the perpetrators had left NWC when he took over. He further indicated that it was during Nkagisang's tenure that the irregular salary increases were given without due processes followed.

5.12.43.8. The report was signed by Pretorius as the NWC Administrator.

#### 5.12.44. **AuditCom Paper**

5.12.44.1. CSA provided us with a document reflecting that there was an AuditCom meeting on 24 April 2019. We understand that the purpose of the said meeting was to provide the Audit Committee with a high-level update on the progress achieved in terms of the step-in rights in relation to the Administrative and Financial affairs of NWC.

5.12.44.2. The Audit Committee briefing paper reflected two items for discussion, *i.e.* Corporate Governance and the Deloitte report.

5.12.44.3. We noted under the Corporate Governance section of the document that it reflected that the majority of the Internal Audit findings that were raised in the report for NWC had been resolved by the NWC Administrator. The report referred to is the one that formed the basis for CSA to exercise its step-in rights.

5.12.44.4. The Audit Committee briefing document listed various main areas that were listed as having been achieved. The said main areas are the same as those listed in the Administrator's report of 2 April 2019 addressed to the CSA's CE, COO and Finance Manager as well as the Chairman of CSA AuditCom.

5.12.44.5. Under the heading relating to the Deloitte report, we noted that the Audit Committee document reflected that Deloitte submitted its report on 28 March 2019 and presented to CSA Management for review and input on 16 March 2019.

5.12.44.6. The Audit Committee briefing document reflected the items listed in the Administrator's report of 2 April 2019 relating to the Deloitte report. The Audit Committee briefing document reflected Hazel Xulu and Nkuta as the

signatories thereof although the two did not sign the document in the spaces provided for signatures.

**5.12.45. Progress report dated 25 June 2019**

5.12.45.1. Pretorius provided us with a report dated 25 June 2019. From a review of documentation, we noted that on 25 June 2019 at 3:16 PM Pretorius emailed the said report to Appiah, Nkuta, Moroe, Nenzani and copied HP Prinsloo. We understand that HP Prinsloo was the new NWC CEO.

5.12.45.2. We noted that Pretorius reflected the following items in his email:

5.12.45.2.1. Finalization of the Finance Manuel under point 1 – Governance as well as additions to the Creditors recon and cash flow statement paragraphs;

5.12.45.2.2. Deloitte forensic report section was updated;

5.12.45.2.3. NWC Internal Financial review was added which include the findings in respect of the financial controls at NWC;

5.12.45.2.4. HR was updated to reflect the voluntary separation process and possible Section 189 applications;

5.12.45.2.5. Cost Containment was added; and

5.12.45.2.6. Annual Financial Statements was added.

5.12.45.3. Attached to Pretorius' email is a 4 page report detailing the points reflected in his email to CSA Management and the CSA President as reflected above.

5.12.45.4. We noted that the report referred to the Deloitte report which was commissioned subsequent to the allegations of maladministration that resulted in CSA exercising its step-in rights.

5.12.45.5. The report reflected that the final Deloitte report received on 13 June 2019 had the comment that the misappropriation portion could not be verified due to the time lapse.

**5.12.46. Draft memorandum dated 7 January 2020**

5.12.46.1. We reviewed a draft memorandum dated 7 January 2020. The said memorandum, signed by Pretorius, is titled *“PROGRESS REPORT OF THE NWC ADMINISTRATOR, ENDING DECEMBER 2019 IN TERMS OF THE STEP-IN RIGHTS EXCERCISED BY CSA IN RELATION TO THE*

*ADMINISTRATIVE AND FINANCIAL AFFAIRS OF NORTH WEST CRICKET”.*

- 5.12.46.2. We noted that there were various comments made by Schoeman relating to items that required clarification.
- 5.12.46.3. One of the items raised was the fact that PwC was said to be conducting a review at NWC to conclude on the financial statements which had not been drawn up for the preceding two financial years. We understand that the two preceding years were under the tenure of Moroe as the CEO.
- 5.12.46.4. Nenzani indicated that the Board has been updated as to when the Administrator will complete the administration and an AGM to elect a new Board. Nenzani indicated that the AGM would be held before the end of August 2020.

**5.12.47. Conclusions relating to the NWC step-in**

- 5.12.47.1. The CSA Board exercised its step-in rights following allegations of misappropriation of funds that were disbursed to NWC for the stadium upgrades;
- 5.12.47.2. The CSA Board mandated Moroe and Management to exercise the step-in rights on NWC;
- 5.12.47.3. One of the reasons CSA decided to exercise step-in rights was failure by NWC to keep and provide audited financial statements to CSA for two financial years;
- 5.12.47.4. Moroe and Nkuta failed to ensure that NWC kept and submitted audited financial statements for the two-year period that the said financial statements were not kept;
- 5.12.47.5. The step-in rights period was for six months or such period as the NWC affairs would have been brought to acceptable standards;
- 5.12.47.6. The step-in period has gone beyond the step-in period of 6 months approved by the Board and is now on 18 months;
- 5.12.47.7. Moroe and the CSA Management failed to seek approval from the Board to extend the Administrators term;
- 5.12.47.8. The costs incurred beyond the initial six month approved period, were not approved by the Board; and

5.12.47.9. The extension should have been brought to the CSA Board for approval as it *inter alia* carried financial obligations to CSA.

#### 5.12.48. **Recommendations relating to NWC step-in**

5.12.48.1. Based on the conclusions discussed above, we recommend that CSA Board considers instituting disciplinary action against Moroe for the following:

5.12.48.1.1. Failure to ensure that the NWC kept and provided audited financial statements for the period of two years 2016/17 and 2017/18; and

5.12.48.1.2. Failure to obtain Board approval for the extension of the Administrator period beyond six months.

### 5.13. **FRAMEWORK AGREEMENT BETWEEN GSC AND CSA**

#### 5.13.1. **Background**

5.13.1.1. We determined that in August 2019, CSA entered into a Media and Commercial Rights Framework Agreement (“Framework Agreement”) with Global Sports Commerce PTE Ltd (“GSC”).

5.13.1.2. It was alleged that CSA Management failed to conduct a proper due diligence on GSC prior to the conclusion of the Framework Agreement as it was later identified that the latter is a shareholder of Megaview, a company which Cricket SA has a contractual relationship with.

5.13.1.3. It was further alleged that CSA failed to obtain a Bank Guarantee from GSC as per the terms of the Framework Agreement resulting in financial losses due to non-payment of the License Fees by GSC.

5.13.1.4. We discuss below the events leading up to the conclusion of the Framework Agreement and breach of the said agreement by GSC.

#### 5.13.2. **MOU between CSA and GSC dated 4 September 2018**

5.13.2.1. We determined from documentation reviewed that on 4 September 2018, CSA and GSC entered into an MOU in respect of the commercial and media rights for the 2018 MSL season.

5.13.2.2. CSA mandated Becker and Associates and Mota Attorneys to negotiate and draft agreements between CSA and GSC in respect of the 2018 MSL as well as the 2019 MSL.



- 5.13.2.3. According to clause 5.1 of the MOU, CSA would grant to GSC, in exchange for the Annual Fee and for a duration of 5 years after the effective date, the exclusive rights to market, distribute and sell the Commercial Rights to potential clients.
- 5.13.2.4. According to Schedule 2 of the MOU, the annual fee, subject to confirmation of appointment of broadcasters by 15 September 2018 was as follows:
  - 5.13.2.4.1. GSC would pay the League an amount of R51.4 million per annum being a total of R257 million over a 5 year period;
  - 5.13.2.4.2. GSC would pay to CSA in accordance with international norms, namely 25% advance on the first year's Annual Fee within 7 working days of the date of the fulfilment of the Conditions set out in clause 4.1.2 of the MOU and the balance of the first year's annual fee 3 working days before the commencement of the first season of the League;
  - 5.13.2.4.3. GSC would pay the annual fee due for each of years two to five, three days before the commencement of each season provided that payment of the Annual Fee for year two to five shall be secured by way of a revolving guarantee, issued by a mutually agreed international commercial bank in favor of CSA and renewed in January each year in respect of Annual Fee payable that year; and
  - 5.13.2.4.4. Payment due by CSA to Megapro, Megaview and Techfront in respect of the services to be supplied by those entities are to be at market related prices and would be paid in accordance with the terms of each individual comprehensive agreement entered into between the respective parties.
- 5.13.2.5. We determined from documentation reviewed that the 2018 MSL season commenced on 16 November 2018 and was concluded on 16 December 2018.
- 5.13.2.6. Based on documentation provided to us by CSA, we determined that GSC paid CSA R6 658 178.62 for the 2018 MSL.
- 5.13.3. **Opinion by IMG**
  - 5.13.3.1. We determined from documentation reviewed that CSA requested IMG to provide an opinion on the Media Rights offer from GSC.
  - 5.13.3.2. It is our understanding that IMG *inter alia* offers market research services and

has a standing agreement with CSA.

- 5.13.3.3. We determined from documentation reviewed that on 18 September 2018, Manning of IMG wrote an email to Moroe, Appiah and Eksteen providing an opinion for the Media Rights offer from GSC<sup>51</sup>.
- 5.13.3.4. According to the email, the proposed deal from GSC was as follows:
  - 5.13.3.4.1. Term: 5 Years
  - 5.13.3.4.2. Rights: Media Rights
  - 5.13.3.4.3. Territory: Global ex Sub-Saharan Africa
  - 5.13.3.4.4. Fees: R250 million at R50 million per year (US\$3.3million)
- 5.13.3.5. The fees were allocated to various territories as follows:
  - 5.13.3.5.1. Asia R180 million;
  - 5.13.3.5.2. Australia R4 million;
  - 5.13.3.5.3. Caribbean R14 million;
  - 5.13.3.5.4. North America R36 million; and
  - 5.13.3.5.5. UK R16 million.
- 5.13.3.6. According to Manning's e-mail, the level of fees that GSC was offering CSA made their proposal attractive. Manning further indicated that IMG had doubts as to how GSC would recoup the fees. Manning's email further indicated that *"experience tells that when something seems too good to be true, it often is too good to be true."*
- 5.13.3.7. In his email, Manning indicated that CSA needed to put in place safeguards to protect its interest before accepting the offer. Manning warned that if CSA waited until "long form negotiations", they would have lost leverage and struggle to get a good contract containing the protection CSA needed.
- 5.13.3.8. Manning recommended that CSA *inter alia* considers the following:
  - 5.13.3.8.1. Undertake a detailed due diligence on GSC given the significance of their proposed financial commitment, and the rights that CSA would be granting as CSA could not afford for

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<sup>51</sup> Refer Exhibit 51

- the deal to turn sour;
- 5.13.3.8.2. Obtain a bank guarantee from a reputable international bank approved by CSA in its discretion, in a format to be provided by CSA for the full amount of the offer given concerns about how GSC would recoup the investment;
  - 5.13.3.8.3. Ensure there is a favourable payment schedule put in place for cash flow;
  - 5.13.3.8.4. Retain approval rights over its sub-licensees; and
  - 5.13.3.8.5. Insist on having involvement in the production including approval rights over who is producing the coverage, involvement in editorial, and technical decisions and approval of the production budget as GSC did not have expertise in the field.
- 5.13.3.9. According to Manning, the Media Rights deal fell under IMG and CSA's agreements. Manning indicated that IMG would assist with the drafting and negotiation of terms and the long form in accordance with the services set out in the agreement between CSA and IMG.
- 5.13.3.10. According to Manning's email, keeping the contract and the sub-licenses consistent with CSA's other media rights agreements was important.
- 5.13.3.11. It is our understanding that CSA sought IMG's opinion on the GSC proposal following Becker, Managing Partner, Becker and Associates Attorneys' advise to do so.
- 5.13.3.12. Becker indicated that he encouraged CSA to seek IMG's advice, as Manning was an expert in terms of advising on strategy with respect to media rights agreements and perhaps the best in the world. Becker further stated that IMG had been a longstanding media rights advisor to CSA and it made sense for them to use Manning's experience in selecting media and production partners.
- 5.13.3.13. Becker indicated that he was not aware of the content of Manning's email of 18 September 2018. Becker however indicated that he was aware from a call with Manning in 2018 that he, Manning, was concerned about the fact that GSC were a '*new kid on the block*' and further that he was not sure whether they had the means or the experience to fulfil what was required of them by CSA.
- 5.13.4. **Proposal from GSC dated 31 January 2019**

- 5.13.4.1. As indicated above, the 2018 MSL season was concluded on 16 December 2018.
  - 5.13.4.2. Subsequent to the conclusion of the 2018 MSL season, GSC submitted a proposal dated 31 January 2019 to CSA for consideration.
  - 5.13.4.3. We noted that GSC *inter alia* proposed the following:
    - 5.13.4.3.1. Aggregation of all rights, consisting of global commercial rights (including title);
    - 5.13.4.3.2. Television rights (excluding South Africa);
    - 5.13.4.3.3. Fantasy league rights;
    - 5.13.4.3.4. Virtual reality rights;
    - 5.13.4.3.5. Hospitality rights; and
    - 5.13.4.3.6. Merchandising rights that would be vested with GSC for a 4 year period (2019 to 2022).
  - 5.13.4.4. In consideration of the above rights being vested to GSC, the latter proposed to provide a total guaranteed rights fee of USD 20,357,000 (approximately R285 million), to be evenly paid over a period of 4 years<sup>52</sup>.
  - 5.13.4.5. We noted that the proposal was valid until 28 February 2019 for CSA's in principle review and approval.
  - 5.13.4.6. According to the proposal, under the financial closure terms of MSL 2018, Megaview (GSC's affiliate) would be vested with the LED services contract for a period of 4 years (MSL 2019 to 2022).
  - 5.13.4.7. GSC further proposed that they be awarded the production contract on or before 30 June 2019.
  - 5.13.4.8. As discussed below, GSC's proposal was presented to the Board on 17 May 2019.
- 5.13.5. **Relationship between Megaview and GSC**
- 5.13.5.1. Megaview is one of CSA's service providers offering LED rental solutions. We determined that Megaview is a division of Megapro, which is also a service provider to CSA.
  - 5.13.5.2. Based on the review of CSA accounts payable, we determined that for the

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<sup>52</sup> Refer Exhibit 52

period 2016 to 2019, CSA paid Megaview and Megapro at least R40 956 681.56 and R155 104 398.75 respectively.

5.13.5.3. We determined that on 4 February 2019, George Rautenbach of Megapro wrote an email to Moroe, Appiah and Eksteen. The purpose of the email was to introduce Sifiso Dabengwa as the new Chairman of the Group and GSC as the new Shareholder of Megapro Holdings.

5.13.5.4. It is our understanding that prior to GSC acquiring shares in Megapro Holdings, both entities *i.e.* GSC and Megapro Holdings held shares in Megaview.

#### 5.13.6. **Negotiation held in Dubai between CSA and GSC**

5.13.6.1. During the course of our investigations, Gwaza provided us with what appears to be minutes of a meeting held in Dubai between CSA and GSC<sup>53</sup>. According to the minutes, the said meeting was held on 26 and 27 February 2019. The purpose of the meeting was to discuss the Commercial partnership between CSA and GSC for the 2019 to 2022 MSL

5.13.6.2. We noted from a review of the minutes that the following individuals were present during the said meeting:

5.13.6.2.1. Murali Srinivasan (GSC);

5.13.6.2.2. Donald Campbell (GSC);

5.13.6.2.3. Appiah (CSA); and

5.13.6.2.4. Eksteen (CSA).

5.13.6.3. We determined that one of the points of discussion was the proposal from GSC for the 2019 to 2022 seasons as well as two options that were presented by GSC for consideration by CSA.

5.13.6.4. During our consultation with Becker, he indicated that Mota of Mota Attorneys and Appiah led the negotiations and discussions on the commercial agreement with GSC. Becker further stated that he worked on the media rights agreement and production agreement.

5.13.6.5. We determined that subsequent to the submission of the GSC proposal dated 31 January 2019 and the meeting held in Dubai in February 2019, Appiah,

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<sup>53</sup> Refer Exhibit 53

Eksteen, Moroe, Becker and Mota continued to engage and negotiate with GSC on behalf of CSA.

**5.13.7. Request for approval of MSL 2.0 from FinCom and board**

- 5.13.7.1. On 10 May 2019, Appiah wrote an email to Khan, Williams and Carolissen requesting FinCom and Board's approval of the commercial and media rights terms with GSC<sup>54</sup>.
- 5.13.7.2. Appiah provided a summary of the proposed deal between CSA and GSC. Appiah further indicated that the terms would involve the possibility of private ownership and GSC shares in certain ownership rights.
- 5.13.7.3. According to Appiah's email, Management had conducted a feasibility analysis and was comfortable to recommend to FinCom to approve the transaction.
- 5.13.7.4. On 14 May 2019, Appiah forwarded the email discussed above to Nenzani and copied Moroe<sup>55</sup>. We determined that on the same day, *i.e.* 14 May 2019, Nenzani replied to Appiah and copied Moroe.
- 5.13.7.5. In his email to Appiah and Moroe, Nenzani raised concerns that it was unfair and unwise to expect FinCom to approve the agreement as the Board had not been apprised of the reasons why GSC was advancing private ownership as condition precedent to the conclusion of an agreement with them.
- 5.13.7.6. Nenzani further indicated that the Board had not agreed on a future privatisation of the MSL Teams. According to Nenzani, only the Board would approve such a transaction after considering all the facts.
- 5.13.7.7. We determined that on 14 May 2019, Appiah wrote an email to Nenzani and copied Moroe. In his email, Appiah indicated that Nenzani's concern was noted. Appiah further requested to call Nenzani in an effort to address his concerns.
- 5.13.7.8. During our consultation with Nenzani, he indicated that he raised his concerns with Appiah as at the time that the latter sent an email requesting FinCom and Board's approval of the commercial and media rights terms with GSC, the Board had not considered the proposal from GSC.

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<sup>54</sup> Refer Exhibit 54

<sup>55</sup> Refer Exhibit 55

**5.13.8. Request for a meeting for the approval of the GSC proposal**

5.13.8.1. We determined that on 16 May 2016, Appiah sent a request for a teleconference to the members of FinCom. The purpose of the meeting was to follow up on the email dated 10 May 2019 and to obtain approval of the Board for Management to expeditiously conclude the following:

- 5.13.8.1.1. Implement a 5 year private license model for the six MSL Teams commencing between season 4 to 6 of the MSL;
- 5.13.8.1.2. Accept a R140 million investment from an external entity to aid in building a commercially saleable prospectus for the private license model;
- 5.13.8.1.3. For the external investment partner to assist CSA in sourcing licensees for the 5-year team private license;
- 5.13.8.1.4. To accept a guarantee by the external private partner of a minimum of R500 million in licence fees over the 5-year term when the private licence model is in play (and subject to CSA meeting two conditions set by the external investment partner); and
- 5.13.8.1.5. To grant the external investment partner the right to share on a 50/50 basis, over the 5-year term when the private licence model is in force, any licence fee accrued to CSA in excess of R500 million (e.g. if the licence fee is R600 million, CSA shares on a 50/50 basis R100million, with R50 million accruing to the external investment partner).

5.13.8.2. As discussed below, on 17 May 2019, the CSA Board held a meeting to *inter alia* discuss and consider the proposed 5 year private licence model for the six MSL Teams.

**5.13.9. Board meeting of 17 May 2019**

5.13.9.1. We determined that on 17 May 2019, CSA Board had a meeting at the Intercontinental OR Tambo.

5.13.9.2. The following individuals were in attendance at the said Board meeting:

Attendance		Title
Members	C Nenzani	Chairman

<b>Attendance</b>		<b>Title</b>
	B Williams	Vice-Chairman and President: Western Province Cricket Association
	A Carolissen	President: Boland Cricket Board
	Prof. S Cornelius	Independent Non-Executive Director
	T Ganda	President: Border Cricket
	MI Khan	Independent Non-Executive Director
	J Madiseng	President: Central Gauteng Lions
	D May	President: Eastern Province Cricket
	M Mokhobo	Independent Non-Executive Director
	Z Thamae	President: Central Cricket Region
	Prof. S Zinn	Independent Non-Executive Director
<b>Permanent Invitees</b>	TG Moroe	CSA Chief Executive Officer
	W Gwaza	Company Secretary
<b>Management Invitees</b>	N Appiah	CSA Chief Operating Officer
	K Govender	CSA Chief Commercial Officer
	Z Nkuta	CSA Acting Chief Financial Officer
<b>In Attendance</b>	A James	Scribe

5.13.9.3. According to the minutes of the meeting of 17 May 2019, the Board noted a discussion paper on the MSL – Private Licence Model of Teams as one of the



items discussed during the meeting<sup>56</sup>. The purpose of the paper was to discuss and consider the option of a private licence model for the MSL in the mid to long term.

- 5.13.9.4. The Board was requested to *inter alia*:
  - 5.13.9.4.1. Consider and in principle, support FinCom and the MSL Facilitation Group to thoroughly interrogate the private model option for further consideration by the Board;
  - 5.13.9.4.2. Consider whether the current model of 6 (six) teams is ideal or if there is capacity for that number to increase to 8 (eight) teams so as not to hinder growth of the league.
- 5.13.9.5. The Board resolved to, in principle support FinCom and the MSL Facilities Group's interrogation of the private model option and present their findings and proposals to the Board for further ratification and final approval. The number of teams would be determined by a feasibility study and highlighted in the proposal and recommendations presented to the Board.
- 5.13.9.6. Nenzani indicated that the function to interrogate details of GCS's proposal was delegated to the relevant committees *i.e.* FinCom and AuditCom and on the advice of the committees the Board would grant the approval for signature. Nenzani indicated that it was the duty of the two committees to ensure that the due diligence was presented by Management prior to the approval of the agreement.
- 5.13.9.7. According to the minutes, the next Board meeting was scheduled for 1 August 2019 where the recommendations of FinCom would be considered.
- 5.13.9.8. As indicated above, on 18 September 2018, Manning wrote an email to Appiah, Moroe and Eksteen highlighting various risks associated with the proposal from GSC. Manning *inter alia* recommended that CSA undertake a detailed due diligence on GSC given the significance of their proposed financial commitment, and the rights that CSA would be granting.
- 5.13.9.9. During our consultation with Eksteen, he indicated that he was not aware that Moroe and Appiah presented Manning's email/opinion to the Board as he was not invited to attend the Board and FinCom meetings. Eksteen further

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<sup>56</sup> Refer Exhibit 56

indicated that he was not aware of any due diligence exercise conducted on GSC as recommended by IMG.

5.13.9.10. During our consultation with Nenzani, he indicated that the email from Manning and the risks highlighted relating to the GSC proposal were never shared with the Board.

5.13.9.11. Nenzani indicated that Appiah informed the Board that all risks associated with the GSC proposal would be mitigated. Nenzani further indicated that Appiah did not provide details of the risks and how Management would mitigate the said risks.

#### **5.13.10. Drafting of the Transaction Agreements**

5.13.10.1. As indicated above, CSA appointed Becker and Associates and Mota Attorneys to negotiate and draft agreements between CSA and GSC in respect of the MSL.

5.13.10.2. We did not investigate the process followed by CSA in the appointment of Becker and Associates and Mota Attorneys in respect of the GSC Transactions agreement as we were not required to do so.

5.13.10.3. We determined that on 9 July 2019, Mota wrote an email to Becker and copied Govender, Appiah, Gwaza and Moroe. According to Mota's email, CSA and GSC had discussions and agreed amongst others that transaction agreements relating to the GSC proposal should remain separate. This meant that there would be three agreements namely:

5.13.10.3.1. LED;

5.13.10.3.2. Production; and

5.13.10.3.3. Commercial and Media.

5.13.10.4. The three transaction agreements are discussed in the relevant paragraphs below.

#### **5.13.11. Combined AuditCom and FinCom meeting of 12 July 2019**

5.13.11.1. On 12 July 2019, AuditCom and FinCom had a combined meeting at the CSA offices in Johannesburg.

5.13.11.2. We determined that the following individuals were in attendance:

<b>Attendance</b>		<b>Title</b>
<b>Members</b>	Mohammed Iqbal Khan	Chair FC
	Beresford Williams	FC
	Jack Madiseng	FC
	Prof. Steve Cornelius	AuditCom
	Donovan May	AuditCom
<b>Attendees</b>	Thabang Moroe	CE
	Naasei Appiah	COO
	Ziyanda Nkuta	FM
	Kugandrie Govender	CCO
	Patricia Matiza	Interim FM- CSA
	Welsh Gwaza	Company Secretary
	Dalene Nolan	Scribe
<b>Invitees</b>	Skalo Dikana	PwC
	Monique Els	PwC
	John Mogodi	AuditCom
<b>Apologies</b>	Christelle Janse Van Rensburg	

5.13.11.3. According to the minutes of the combined AuditCom and FinCom meeting, Appiah provided the committee with a high-level update on management's readiness to launch MSL 2.0, and addressed the Board's request for management to report on the opportunities that lay ahead for CSA's

Members<sup>57</sup>.

5.13.11.4. We determined that Appiah presented a paper to AuditCom and FinCom relating to financial proposal and the issuance of private licenses. The purpose of the presentation was for the Committee to review the proposal and if in support, recommend to the Board for its approval.

5.13.11.5. We noted that the paper *inter alia* highlighted the following items for discussion:

5.13.11.6. Operational Readiness of MSL 2.0;

5.13.11.7. MSL Long Term Goal;

5.13.11.8. Issuance of Private Licenses;

5.13.11.9. MSL Strategic Goal and Purpose;

5.13.11.10. Investment Required to Build the MSL; and

5.13.11.11. External Partner (GSC).

5.13.11.12. The minutes reflected that emphasis was placed on GSC's proposal to invest R780 million in the MSL business.

5.13.11.13. The committee resolved to support management's recommendation to accept GSC's investment proposal via Round Robin Resolution for ratification on 1 August 2019.

5.13.11.14. The committee further requested that management share the due diligence report that was conducted by IMG in 2018 with the committee.

5.13.11.15. Khan indicated that the details relating to the GSC proposal were provided in drips and drabs. Khan further stated that the feasibility was presented to FinCom, however the due diligence was not presented.

#### 5.13.12. **Due diligence on GSC**

5.13.12.1. We determined that on 15 July 2019, Khan sent an email to Nkuta requesting *inter alia* that a copy of the due diligence already concluded on GSC be provided to the committee<sup>58</sup>.

5.13.12.2. On 19 July 2019 at 4:58, Nkuta wrote an email to Appiah, Gwaza, Govender

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<sup>57</sup> Refer Exhibit 57

<sup>58</sup> Refer Exhibit 58

and Moroe requesting *inter alia* that Appiah share the due diligence report prepared on GSC<sup>59</sup>.

5.13.12.3. We noted that the following individuals were copied in the e-mail:

5.13.12.3.1. Patricia Matiza;

5.13.12.3.2. Moseki; and

5.13.12.3.3. Dalene Nolan.

5.13.12.4. As indicated above, prior to the 2018 MSL season, IMG prepared an opinion on Media Rights offer from GSC. We determined that on 19 July 2019, Appiah wrote an email to Manning requesting *inter alia* a copy of the "high level due diligence" on GSC for the 2018 MSL<sup>60</sup>.

5.13.12.5. We determined that Appiah copied the following individuals in his e-mail to Manning:

5.13.12.5.1. Govender;

5.13.12.5.2. Moroe;

5.13.12.5.3. Rathindra Basu;

5.13.12.5.4. Chris Guinness; and

5.13.12.5.5. Cox Nuss.

5.13.12.6. Appiah requested Manning to send a copy of the report or email on the due diligence work done and recommendations provided at the time. Appiah indicated that the report would be for record purposes.

5.13.12.7. We determined that on 20 July 2019, Appiah sent a copy of the email from IMG dated 18 September 2018 to Nkuta and copied Govender, Moseki, Moroe and Gwaza<sup>61</sup>. According to Appiah, the email was received from IMG for FinCom's attention prior to concluding the Media and Commercial Rights Deal with GSC in 2018.

5.13.12.8. In his email dated 20 July 2019, Appiah requested that circulation of the IMG email be restricted to FinCom and members only.

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<sup>59</sup> Refer Exhibit 59

<sup>60</sup> Refer Exhibit 60

<sup>61</sup> Refer Exhibit 61

- 5.13.12.9. Based on the review of the email from Manning dated 18 September 2018, IMG did not provide a due diligence report but merely made recommendations to CSA to *inter alia* conduct a due diligence and obtain a bank guarantee from GSC given the significance of their proposed financial commitment, and the rights that CSA would be granting.
- 5.13.12.10. There is no evidence that CSA conducted a due diligence on GSC as recommended by IMG. In fact, Appiah created an impression that there was a due diligence conducted by IMG.
- 5.13.12.11. Khan indicated that FinCom and the Board tried relentlessly to ensure that Management presented the due diligence prior to the approval of the Framework Agreement. Khan further stated that he continuously asked for the due diligence on GCS and management continued to promise that it would be presented. According to Khan, Management were dishonest by hiding the fact that there was no due diligence conducted.
- 5.13.12.12. Gwaza indicated that he was not aware that there was ever a requirement on management to conduct such previously. He further stated that he had not seen such due diligence done for SuperSport, New Balance etc.

**5.13.13. Advise from Gwaza to not submit IMG email of 18 September 2018**

- 5.13.13.1. We determined that on 21 July 2019, Gwaza responded to Appiah's email of 20 July 2019 and copied Moseki, Govender, Moroe and Nkuta<sup>62</sup>. According to Gwaza's email, AuditCom and FinCom would question CSA Management's position in light of the business opinion provided by IMG. In his email, Gwaza suggested that the IMG email not be circulated to members of AuditCom and FinCom until there was management position on the matter.
- 5.13.13.2. Gwaza indicated he advised management not to submit the IMG opinion until there was management position on the matter as the *"Board documents are required to be comprehensive and speak to critical issues which the Board is required to consider. CSA was moving away from a culture of just submitting documents to board with no management view on it, risk management, financial implications, resolution required etc. In effect, if you examine a number of Board submissions, the board committee was required to formulate a resolution which then made the committees substantially operational, i.e., an example is the Finance and Commercial*

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<sup>62</sup> Refer Exhibit 62

*Committee"*

- 5.13.13.3. We determined that on the same day, Appiah responded to Gwaza's email and indicated that he would include the item in the Agenda for EXCO meeting scheduled for 24 July 2019.
- 5.13.13.4. We were not provided with minutes of the EXCO meeting of 24 July 2019. Gwaza indicated that the minutes of the meeting may not have been recorded.
- 5.13.13.5. During our consultation with Govender, she indicated that there was no agenda point relating to due-diligence that was added for the Exco meeting of 24 July 2019. Govender further stated that she had no recollection or meeting notes that suggests that the due diligence on GSC was discussed in the EXCO meeting of 24 July 2019.
- 5.13.13.6. During our consultation with Gwaza, he indicated that the opinion provided by Manning in his email of 18 September 2018 was not the due diligence required by the Board.
- 5.13.13.7. Gwaza further indicated that Management had not engaged the due diligence process and therefore needed to address the issues raised by Manning in his opinion before tabling to the Board.
- 5.13.13.8. Gwaza indicated that Management drafted a Paper which was presented during the Board meeting of 1 August 2019<sup>63</sup>. According to Gwaza, the Paper sought to address the risks raised in Manning's opinion and how Management provided for the said risks in the Framework Agreement. Gwaza indicated that Management had gone to great lengths in ensuring that the risks identified in Manning's opinion were mitigated.
- 5.13.13.9. Gwaza indicated that in drafting and negotiating the Framework agreement, most of the issues highlighted by Manning were addressed. Gwaza further indicated that the said risks included security for payment, territories, control over the tournament and production.
- 5.13.13.10. As indicated above, during the meeting of 17 May 2019, the Board *inter alia* resolved that FinCom interrogate the private model option and present their findings and proposals to the Board for further ratification and final approval.
- 5.13.13.11. As discussed above, during the combined AuditCom and FinCom meeting of

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<sup>63</sup> Refer Exhibit 63

12 July 2019, Appiah presented a Paper on the MSL 2.0 and Issuance of Private Licenses. We noted from a review of the AuditCom and FinCom minutes that the committee *inter alia* requested that Management share the due diligence report that was conducted by IMG in 2018 with the committee.

5.13.13.12. During our consultation with Khan, he indicated that FinCom was under pressure from Management to recommend to the Board to approve the GSC proposal as the MSL 2.0 was only a few months away.

5.13.13.13. Gwaza indicated the statement that management put pressure on FinCom to recommend to the Board to approve the GSC proposal was a subjective view.

5.13.13.14. Khan indicated that FinCom recommended the approval of the GSC proposal to the Board subject to the presentation or submission of the due diligence report on GSC.

5.13.13.15. Khan indicated that Appiah assured the Board and FinCom that a due diligence was conducted on GSC. Khan further stated that he requested Management on several occasions to submit the said due diligence report, however it was never submitted.

**5.13.14. Board meeting held on 1 August 2019**

5.13.14.1. On 1 August 2019, the CSA Board held a meeting at the Maslow Sun Time Square, Menlyn on Maine Precinct Pretoria.

5.13.14.2. The meeting was attended by the following individuals:

Attendance			Title
<b>Members</b>	C Nenzani	(CN)	Chairman
	B Williams	(BW)	Vice-Chairman & President: Western Province Cricket Association
	A Carolissen	(AC)	President: Boland Cricket Board
	Prof. S Cornelius	(SC)	Independent Non-Executive Director



<b>Attendance</b>			<b>Title</b>
	T Ganda	(TG)	President: Border Cricket
	MI Khan	(MIK)	Independent Non-Executive Director
	J Madiseng	(JM)	President: Central Gauteng Lions
	D May	(DMA)	President: Eastern Province Cricket
	Z Thamae	(ZT)	President: Central Cricket Region
	Prof. S Zinn	(SZ)	Independent Non-Executive Director
<b>Permanent Invitees</b>	TG Moroe	(TGM)	CSA Chief Executive Officer
	W Gwaza	(WG)	Company Secretary
<b>Management Invitees</b>	N Appiah	(NA)	CSA Chief Operating Officer
	K Govender	(KG)	CSA Chief Commercial Officer
	P Moseki	(PM)	CSA Chief Financial Officer
<b>In Attendance</b>	A James	(AJ)	Scribe

5.13.14.3. According to paragraph 8.3.1 of the minutes of the meeting, following from

the Board meeting of 17 May 2019, the Board approved in principle the proposed transaction between CSA and GSC and requested FinCom to interrogate the finer details of the transaction.

- 5.13.14.4. According to the minutes, FinCom interrogated the details and raised certain concerns and risks which were noted and addressed. The Board was further requested to consider the Paper and if deemed appropriate approve the transaction.
- 5.13.14.5. As indicated above, Gwaza stated that the Paper presented during the Board meeting of 1 August 2019 sought to address the risks raised in Manning’s opinion and how Management provided for the said risks in the Framework Agreement.
- 5.13.14.6. We noted that paragraph 4.4 of the Paper dealt with the risk analysis conducted by Management in respect of the GSC proposal and how Management planned to mitigate the risks (Some of the risk highlighted in the Paper to the Board included the following):

Risk	Mitigation
In the event that CSA fails to or elects not to implement the Private License Model with effect from the commencement of the seventh season (2024/2025), CSA will be liable to pay GSC a disinvestment amount of R140,000,000.00 (one hundred and forty million rand), no later than 60 (sixty) days after the commencement of the 9th (ninth) Season (2026/2027)	Management needs to ensure that the MSL is a viable product to mitigate this risk.
Financial Stability of the MSL is not envisaged for the next 3 (three) years	
Counterparty risk in that GSC is a relatively new entrant in this market	GSC’s core business is perimeter advertising technology and sales and it is an established presence in that sector (less so media rights exploitation) and it has

Risk	Mitigation
	some reputable investors (such as Emerald Media which is owned by KKR).

- 5.13.14.7. The minutes reflected that Khan confirmed that FinCom together with Management, with all facts at their disposal felt that the approval of the transaction was a good decision to make. The approval was despite the fact that no due diligence was presented to FinCom and the Board.
- 5.13.14.8. We noted from a review of the minutes that Gwaza reassured the Board that 3 (three) lawyers had been working on the agreement and all risks identified had been covered. Gwaza further indicated that Management had gone to great extent to cover issues of reputational risk and the guarantee for the R500 000 000 (five hundred million rand).
- 5.13.14.9. Based on documentation reviewed, CSA appointed two attorneys to draft agreements between CSA and GSC and not three as indicated by Gwaza during the Board meeting.
- 5.13.14.10. We noted that the Board resolved to approve the transaction between CSA and GSC and requested Management to subsequently arrange a meeting with GSC and circulate the IMG due diligence.
- 5.13.14.11. Nenzani indicated that the Board would not have approved the agreement if they were presented with Manning email of 18 September 2019 highlighting the risks attached to the GSC proposal as well the fact that no due diligence was conducted on GSC.
- 5.13.14.12. Khan indicated that if FinCom and the Board were aware that there was no due diligence, they would not have approved the Framework Agreement. Khan further stated that *"I am told that a DD was done by the sports agency and the result was unsavory and that is why it was withheld by Thabang, Naasei and Welsch"*
- 5.13.14.13. Gwaza indicated that according to understanding, the chairman of FinCom has already been provided with access to the email the previous year.
- 5.13.14.14. Khan however indicated that he was not sure what Manning's opinion

obtained. Khan further stated that if Manning was of the opinion that GSC was unsavory, FinCom would not have recommended that the proposal be approved.

5.13.14.15. According to Khan, Management was *“guilty of misleading the FinCom and Board”*. *In fact it borders on dishonesty because they knew the fincom and board would not have sanctioned it and they purposely obtained such permission by promising to deliver the DD which they had no intention of delivering”*

5.13.14.16. During our consultation with Gwaza, he indicated that the Framework Agreement fell in Appiah’s area of responsibility. Gwaza further stated that Moroe would have had oversight of the project as the CEO.

5.13.14.17. It should be noted that at the time that the Board considered GSC’s proposal, Appiah, Moroe and Gwaza were aware that there was no due diligence conducted on GSC.

5.13.14.18. Appiah and Moroe failed to ensure that a due diligence was conducted on GSC and provide the said due diligence to FinCom and the Board despite numerous requests to do so. Appiah and Moroe further failed to inform FinCom and the Board that a due diligence was not conducted on GSC.

5.13.14.19. On 21 July 2019, Gwaza advised Management not to share IMG’s opinion with FinCom and Board until Management had a position on the matter.

5.13.14.20. We were not provided with evidence that Management further deliberated on the risks identified by IMG relating to the GSC proposal.

5.13.14.21. Appiah and Moroe continued to mislead FinCom and the Board that due diligence was conducted on GSC whereas they knew that the said due diligence had not been conducted.

**5.13.15. Follow up on outstanding due diligence report**

5.13.15.1. On 1 August 2019, Madiseng wrote an email to Khan and Moroe and copied Appiah, Nkuta, Govender, Moseki, Cornelius, May and Williams<sup>64</sup>.

5.13.15.2. In his email, Madiseng indicated that FinCom had requested documentation to be forwarded to the members however the said documentation was not provided.

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<sup>64</sup> Refer Exhibit 64

- 5.13.15.3. Madiseng further stated that the committee was urgently requested to approve the MSL commercial documents and further that the special resolution documents would be circulated for approval however the documentation had not been provided at the promised date.
- 5.13.15.4. Madiseng requested Moroe to address the unprofessionalism before it became a traditional way of doing business.
- 5.13.15.5. We determined that Khan responded to Madiseng's e-mail and indicated the following:
- "Thanks Jack I completely agree*
- It's unfair that we get subjected to severe pressure to make a call and then once we make a call there is inaction*
- Like you I don't know if the offer is still valid. However I do see that the proposal is being out to the board for approval.*
- We did ask for the DD document of GSC, which is also still in the air".*
- 5.13.15.6. On 19 August 2019 at 12:45, Williams wrote an email to Khan and Madiseng requesting Khan to *inter alia* forward him the due diligence<sup>65</sup>.
- 5.13.15.7. We determined that on 19 August 2019, Khan wrote an email to Appiah and Gwaza and copied Williams. We noted that Khan attached emails from Madiseng and Williams dated 1 August 2019 and 19 August 2019 respectively. In his email, Khan requested Appiah and Gwaza to help with *inter alia* the due diligence and management comments conducted by IMG on GSC as it was long outstanding from management.
- 5.13.15.8. According to Khan's email, the information would be central to a meeting scheduled for that week. Khan requested that the information be forwarded as soon as possible as members of the joint AuditCom/FinCom were making enquiries as evidenced from Madiseng and William's emails attached thereto.
- 5.13.15.9. We determined that on 22 August 2019, Dalene Nolan ("Nolan") wrote an e-mail to Khan and copied Moroe, Appiah and Gwaza. Nolan *inter alia* stated in the email that Appiah had indicated that the Management Report on Due Diligence conducted on GSC would be provided by Gwaza<sup>66</sup>.

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<sup>65</sup> Refer Exhibit 65

<sup>66</sup> Refer Exhibit 66

- 5.13.15.10. We determined that the Framework Agreement between CSA and GSC was concluded on 22 August 2019. The Framework Agreement was signed by Moroe and Srinivasan on behalf of CSA and GSC respectively.
- 5.13.15.11. We determined that on 29 August 2019, Gwaza wrote an email to Appiah and copied Moroe. In his email, Gwaza confirmed that it was previously discussed that the due diligence report would not be circulated to Board members without management's input or view on the outcome of such due diligence<sup>67</sup>.
- 5.13.15.12. According to Gwaza's email, the task of compiling or providing such a management view did not lie with the Legal Department. Gwaza requested Appiah that Nolan's email to Khan stating that he, Gwaza, would provide the management report, be corrected to align with the functional area responsible for managing the GSC relationship and transaction.
- 5.13.15.13. On 30 August 2019, and in reference to Gwaza's email of 21 July 2019, Appiah wrote an email to Gwaza and copied Moroe, indicating that he agreed with Gwaza that the due diligence report should not be sent to Board. In his email, Appiah indicated that ordinarily, he would have drafted the management report on due diligence, however Gwaza had offered to draft the said management report at a meeting of 24 July 2019.
- 5.13.15.14. As indicated above, we were informed that the EXCO minutes of meeting of 24 July 2019 was not recorded.
- 5.13.15.15. On 30 August 2019 at 10:06AM, Gwaza responded to Appiah's email and copied Moroe. Gwaza requested Appiah to prepare a draft and indicated that he would provide input thereafter. Gwaza indicated that other urgent matters had come to the fore which he needed to attend to.
- 5.13.15.16. We determined that on 30 August 2019 at 10:10 AM Appiah responded to Gwaza's email and copied Moroe. Appiah indicated that *"I'll give it a first stab and send it to for input and review"*
- 5.13.15.17. We noted that Moroe was copied in most of the email communication relating to the due diligence. We further noted that Moroe attended all FinCom and Board meetings wherein the Committee and the Board continuously requested Management to submit the due diligence conducted on GSC.

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<sup>67</sup> Refer Exhibit 67

5.13.15.18. There is however no indication that Moroe took any action to show leadership as he did not appear to have taken an active role in ensuring that the due diligence was conducted and presented to FinCom and the Board. Moroe further did not inform FinCom and the Board that a due diligence was never conducted.

5.13.15.19. It should be noted that during his interview for the position of CSA CEO, a comment was made to the effect that “*his presentation did lack some elements of leadership thoughts/ projections/ examples*”.

5.13.15.20. Moroe and Appiah failed to ensure that due diligence was conducted on GSC as recommended by IMG prior to the conclusion of the contracts.

5.13.15.21. Moroe and Appiah had various opportunities to inform FinCom and the Board that the due diligence on GSC was not conducted, however they continued to mislead and promise FinCom and Board that the due diligence would be presented.

#### 5.13.16. **Framework agreement between CSA and GSC**

5.13.16.1. As indicated above, on 22 August 2019, CSA concluded a Media and Commercial Rights Framework agreement in terms of which GSC acquired a license from CSA in respect of the League Rights for the duration of the Term in consideration for the License Fee.

5.13.16.2. The agreement was signed by Moroe and Srinivasan on behalf of CSA and GSC respectively.

5.13.16.3. As discussed above, Gwaza indicated that in drafting and negotiating the Framework Agreement, the potential risks highlighted by IMG were addressed.

5.13.16.4. Apart from recommending that CSA conduct a detailed due diligence on GSC, Manning’s email highlighted *inter alia* the following potential risks, which he recommended that CSA considers prior to concluding an agreement with GSC:

5.13.16.4.1. Security for payments;

5.13.16.4.2. Territories;

5.13.16.4.3. Sub-Licensing;

5.13.16.4.4. Production;

- 5.13.16.4.5. Reserved Rights;
- 5.13.16.4.6. Control over the tournament; and
- 5.13.16.4.7. Impact on Proteas Media Rights.

5.13.16.5. Based on the review of the Framework Agreement, we noted that the following items were *inter alia* considered in line with the risks highlighted by Manning:

- 5.13.16.5.1. Mobile Rights, Digital and Stadiums; and
- 5.13.16.5.2. Bank Guarantee.

5.13.16.6. Below we discuss the bank guarantee as it is one of the items relevant to this section:

#### **Bank Guarantee**

5.13.16.7. According to clause 12.5 of the Framework Agreement, GSC shall, as security for the License Fee payable each Season in terms of clause 12.1, deliver to CSA an annual rolling Bank Guarantee no later than the end of February each year, provided that, in respect of the 2nd (second) Season (2019/2020 Season), GSC shall provide the Bank Guarantee no later than 30 (thirty) days from the Signature Date.

5.13.16.8. As indicated above, the Media and Commercial Rights Framework agreement was concluded on 22 August 2019. We however determined that GSC failed to deliver the Bank Guarantee within 30 days of the signature date. The Bank Guarantee was therefore due on 22 September 2019.

5.13.16.9. During our consultation with Moseki, he indicated that the relationship between GSC and CSA was managed by Appiah and Moroe. He further stated that Appiah followed up with GSC relating to the outstanding bank guarantee.

5.13.16.10. Gwaza indicated that failure by CSA to secure the Bank Guarantee may have been due to CSA's ineffective internal controls.

#### **5.13.17. Email dated 14 October 2019 following up on outstanding Bank Guarantee**

5.13.17.1. Based on the review of Appiah emails, we determined that on 14 October 2019, he, Appiah, sent an email to Krishnakumar and copied Srinivasan requesting Krishnakumar to urgently attend to the following:



- 5.13.17.1.1. Finalization of the production agreement (approval of production plans);
  - 5.13.17.1.2. Media and Commercial Rights;
  - 5.13.17.1.3. Post-closing steps; and
  - 5.13.17.1.4. Bank Guarantees.
- 5.13.17.2. We further determined that on 22 October 2019, Appiah sent an email to Krishnakumar and Srinivasan and copied Moroe. In his email, Appiah indicated that he was concerned that Krishnakumar had failed to acknowledge or respond to his email of 14 October 2019.
- 5.13.17.3. Appiah *inter alia* advised Krishnakumar and Srinivasan that CSA had not received a bank guarantee as per the Media and Commercial Rights Framework agreement.
- 5.13.17.4. It should be noted that as at 22 October 2019, a period of two months had lapsed since the conclusion of the Commercial Rights Framework agreement. The Bank Guarantee was due on 22 September 2019.
- 5.13.18. Due diligence paper on GSC dated 29 October 2019**
- 5.13.18.1. We determined that on 29 October 2019, Appiah wrote an email to Gwaza with subject matter “DD Paper on GSC”. We noted that Appiah copied Moseki, Govender and Moroe in his email<sup>68</sup>.
- 5.13.18.2. We noted that the Paper reflected that it was emailed to FinCom on 29 October 2019. We however noted that the Paper was not e-mailed to FinCom as the heading reflected. The Paper was only tabled at the AuditCom and FinCom meeting held on 4 February 2020 (at least three months after the Framework agreement was concluded).
- 5.13.18.3. Attached to Appiah’s email were the following documents:
- 5.13.18.3.1. Paper on Due Diligence Report on GSC to be submitted to FinCom;
  - 5.13.18.3.2. An email from Manning dated 18 September 2018 addressed to Moroe, Appiah and Eksteen relating to the opinion by IMG on the GSC proposal; and

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<sup>68</sup> Refer Exhibit 68

- 5.13.18.3.3. An email from George Rautenbach of Megapro dated 4 February 2019 addressed to Moroe, Appiah and Eksteen introducing Megapro's new Chairman and GSC as the new Shareholder of Megapro Holdings.
- 5.13.18.4. According to the Paper on Due Diligence, the Chairman of FinCom requested Management to conduct a due diligence on GSC given that GSC's transaction was financially significant and the period covered by the transaction was 10 years.
- 5.13.18.5. The paper reflected that Management requested IMG to:
- 5.13.18.5.1. Conduct due diligence of GSC;
  - 5.13.18.5.2. Evaluate the fairness of GSC's commercial offer to CSA; and
  - 5.13.18.5.3. Evaluate the operational capabilities of GSC as broadcast production partner of CSA for MSL.
- 5.13.18.6. We noted that Appiah attached the email from Manning dated 18 September 2018 as Annexure A to the Paper. We further noted that Appiah referred to Manning's email as a report providing commentary on GSC as an organisation and further that Management was comfortable with IMG's findings.
- 5.13.18.7. It is not clear what Appiah meant with the statement that Management was comfortable with IMG's findings.
- 5.13.18.8. Appiah further indicated that it was noted that GSC was a shareholder (35%) of Megapro (Pty) Ltd, a company which has partnered with CSA for over 20 years.
- 5.13.18.9. We noted that the relationship between GSC and Megapro was not disclosed to FinCom and the Board at the time that the GSC proposal was considered and approved.
- 5.13.18.10. According to the Paper, Management was confident that although the transaction between CSA and GSC is not risk free, the concerns raised by IMG had been satisfactorily addressed through appropriate on-going risk management processes as reported at the CSA Board meeting held in May 2019.
- 5.13.18.11. Appiah's Paper failed to note that a detailed due diligence had not been conducted. Appiah continued to refer to an email from IMG which clearly

recommended that CSA *inter alia* conducts a detailed due diligence on GSC prior to the conclusion of an agreement.

5.13.18.12. As discussed above, Manning sent the email to Moroe, Appiah and Eksteen in September 2018. The email and concerns raised by Manning relating to the GSC proposal were not shared with the Board prior to the conclusion of the Framework Agreement.

5.13.18.13. It should be noted that the Paper was prepared at least two months after the conclusion of the Framework Agreement with GSC and at least a week before the first MSL match scheduled to take place on 8 November 2019.

5.13.18.14. Any due diligence performed at this stage would not have benefitted CSA as the agreement had already been concluded.

#### 5.13.19. **FinCom meeting of 20 November 2019**

5.13.19.1. On 20 November 2019, FinCom had a meeting at the CSA offices in Johannesburg<sup>69</sup>.

5.13.19.2. According to the minutes of the meeting, FinCom expressed their displeasure with Management for delaying the circulation of the due diligence report as requested on numerous occasions. The minutes reflected that Management explained that the report was due to be sent by one of the suspended Executives on the day of his suspension and committed to circulate the report.

5.13.19.3. We noted that Appiah was not part of the FinCom meeting. It is our understanding that Appiah was suspended following allegations of misconduct against him.

5.13.19.4. During our consultation with Govender, she indicated that she was informed by Appiah that IMG had conducted a due diligence on GSC at some point in the past. Govender further indicated that she was content that Appiah had advised that such a process had been undertaken and did not question it.

5.13.19.5. Govender indicated that Appiah had confirmed to the Board and Management that IMG conducted a due diligence on GSC.

5.13.19.6. We determined that on 20 November 2019, Khan wrote an email to *inter alia* Gwaza and Moroe relating to items that were recorded to be actioned

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<sup>69</sup> Refer Exhibit 69

following a FinCom meeting held on the same day.

5.13.19.7. According to Khan's email, Gwaza and Moroe were required to write to GSC to enquire why they had not provided the requisite bank guarantee and payment due. Furthermore, Gwaza and Moroe were required to indicate in their communication to GSC that they were instructed by FinCom to follow up on the outstanding bank guarantee and payment.

5.13.19.8. According to Khan's email, Gwaza was further required to circulate the long outstanding GSC due diligence report.

**5.13.20. Email dated 28 November 2019 from Gwaza relating to the Paper of Due Diligence**

5.13.20.1. We determined that on 28 November 2019, Gwaza sent an email to Pheko and copied Moseki, Moroe and Govender. Attached to the email was a due diligence paper on GSC prepared by Appiah and dated 29 October 2019<sup>70</sup>.

5.13.20.2. Govender indicated that during the FinCom meeting of 20 November 2019, the Committee requested Gwaza and herself to provide a copy of the email from Manning to the members of FinCom. Govender indicated that Gwaza provided the said email on 28 November 2019.

5.13.20.3. As indicated above, the Paper on "Due Diligence Report on Global Sports Commerce" with the Opinion from IMG was only presented during the FinCom meeting of 4 February 2020.

5.13.20.4. Khan indicated that had FinCom been made aware that there was no Due Diligence on GSC, they would not have recommended to the Board to approve GSC's proposal.

**5.13.21. Production agreement between GSC and CSA**

5.13.21.1. One of the recommendation made by Manning in respect of the GSC proposal was that CSA should insist on its involvement in the production of the MSL, including approval rights over who is producing the coverage, involvement in editorial, and technical decisions and approval of the production budget as GSC did not have expertise in the field.

5.13.21.2. We determined that in April 2019, CSA issued an RFP for TV Production Services in respect of the 2019 to 2022 MSL<sup>71</sup>.

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<sup>70</sup> Refer Exhibit 70

<sup>71</sup> Refer Exhibit 71

5.13.21.3. In terms of clause 3.4.2 of the CSA Procurement Policy and Procedures (Tender Process):

5.13.21.3.1. All purchases above R1 million must be considered for tender. Deviation from this requires the approval of the CFO/CEO and the Chairman of FinCom.

5.13.21.3.2. The Tender Committee shall comprise of at least the relevant Department Head, the Procurement Manager and CFO. Where the procurement spend is anticipated to exceed R1 million, the CEO should form part of the Tender Committee.

5.13.21.3.3. Procurement spend in excess of R5 million requires approval by the Tender Committee (including the CEO) and ratification by FinCom.

5.13.21.3.4. The tender should be administered in an open manner with contracts awarded on the basis of the criteria established prior to tender.

5.13.21.4. We discuss below the process followed by CSA in the conclusion of the production agreement with GSC.

#### 5.13.22. **Tv Production RFP**

5.13.22.1. We determined from documentation reviewed that on 30 April 2019, CSA issued an RFP for the provision of production services to CSA in respect of MSL for a period of 4 years. We noted that the closing date for the submission of proposals was 31 May 2019.

#### **Pre-qualification and evaluation**

5.13.22.2. According to paragraph 8.1 of the RFP, CSA would utilise the following methodology and criteria in selecting the successful respondent:

Stage 1	Administrative Compliance
Stage 2	Substantive Compliance
Stage 3	Technical BEE/Reputation, Credibility and Experience/Price
Stage 4	Post Proposal negotiation; appointment and signing

5.13.22.3. In terms of paragraph 8.4.1.1 of the RFP (Technical Compliance), the

respondents were required to demonstrate and provide details of their technical ability to provide the Services, taking into consideration each individual aspect of the service and the technical requirements for the execution of each such individual element at a world class standard.

5.13.22.4. Paragraph 8.4.1.2 of the RFP provided that CSA would assess which proposals best met the technical requirements of the services and respondents were required to provide relevant and comprehensive information to indicate their compliance.

5.13.22.5. According to paragraph 8.5 of the RFP, proposals which complied with the pre-qualification criteria would be evaluated based on the four categories and weighted as follows:

Category	Weighting
Technical Compliance	30%
Reputation Credibility and Experience	25%
B-BBEE	15%
Price	30%

5.13.22.6. In terms of paragraph 8.7.1 of the RFP, the successful respondent would be required to conclude appropriate agreement(s) with CSA giving effect to its appointment.

5.13.22.7. According to paragraph 8.7.2 of the RFP, the contracts would be based on the RFP, the successful respondent's proposal and the post proposal negotiation conducted in terms of the RFP.

5.13.22.8. According to paragraph 9.4 of the RFP, Respondents were notified that, in terms of an agreement entered into between CSA and a third party, such third party has a right to match any Proposal which attains the Highest Score (or any other Proposal which CSA determines, for whatever reason, to be deserving of award) and, in the event that this right is exercised by the third party and the Proposal which achieves the Highest Score (or such other Proposal) is so matched by the third party, CSA is obliged, under the terms of the agreement referred to herein, to accept the matching proposal of such third party.

5.13.22.9. We determined that in 2018, CSA and GSC entered into a Production Agreement for the production of audio-visual coverage and delivery of other

production services in respect of the 2018 MSL.

5.13.22.10. Based on the review of the production agreement, we did not identify any clause that provides for the matching rights in favor of GSC.

5.13.22.11. We enquired from Becker whether there was any clause in the 2018 Production Agreement that provided for matching rights for GSC to match any proposal which attained the highest score in terms of the TV Production RFP issued in 2019.

5.13.22.12. Becker indicated that the 2018 Production Agreement was only for one edition/year, being the 2018 MSL. Becker further stated that there were no undertakings therein as regards production rights (or any other rights) for MSL 2019.

5.13.22.13. During our consultation with Eksteen, he confirmed that the matching rights did not form part of the 2018 Production Agreement concluded with GSC. Eksteen further stated that the clause relating to matching rights was only included in the RFP.

5.13.22.14. The inclusion of clause 9.4 in the RFP placed GSC at an unfair advantage as the latter did not participate in the RFP, however they were afforded matching rights to match any proposal that attained the highest score. The said matching rights did not exist as they were not included in any agreement with GSC.

5.13.22.15. The bidders that had taken time and effort to prepare proposals and responded to the RFP had no prospects of being appointed for Production Services as GSC had proposed to CSA as early as January 2019 that they be awarded the production contract on or before 30 June 2019.

### **Responses from Bidders**

5.13.22.16. We determined that prior to CSA receiving responses from bidders and on 7 May 2019, Appiah sent an email to Srinivasan and copied Moroe<sup>72</sup>. In his email, Appiah indicated to Srinivasan that Moroe had advised that it was a done deal other than Srinivasan's personal commitment to Moroe that GSC would do production for R30 million. Appiah further indicated that "*once agreed, Martin will send you on Friday. Looking forward to this final piece. We*

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<sup>72</sup> Refer Exhibit 72

understand Appiah's email to be referring to the awarding of Production Services to GSC, which services were still a subject matter of an RFP process.

5.13.22.17. As indicated above, the closing date for submission of proposals for the TV Production RFP was 31 May 2019.

5.13.22.18. We determined from documentation provided to us by CSA that three bidders responded to the RFP namely:

5.13.22.18.1. Sportzworkz Private Limited;

5.13.22.18.2. Sporty Solutionz; and

5.13.22.18.3. Innovative Production Group.

5.13.22.19. We noted from a review of the proposals submitted by the entities referred to above that Innovative Production Group's price quotation was not including in the documents provided to us by CSA. We determined that Sporty Solutionz and Sportzworkz Private Limited submitted price quotations of R46 500 000.00 and R59 412 946 respectively<sup>73</sup>.

5.13.22.20. On 25 June 2019, Appiah wrote an email to Maja, former CSA Procurement Manager and copied Adams and Eksteen. The subject matter of the email was "TV Production RFP"<sup>74</sup>.

5.13.22.21. In his email to Maja, Appiah *inter alia* indicated that as courtesy, CSA needed to acknowledge receipt of the bids and also share the decision or process timelines with the bidders.

5.13.22.22. Appiah requested Maja to send timelines to Adams for his review and input prior to sending out. Appiah further indicated that they should work towards appointing the successful bidder by the end of July 2019.

5.13.22.23. We determined that on 28 June 2019, Maja responded to Appiah's email and indicated *inter alia* that there were 3 RFP responses to adjudicate on. Maja suggested that the preliminary adjudication (opening of the bids) be conducted on Friday, 5 July 2019 at Moloko. Maja indicated that they would only look at the price and the process would not take more than 10 minutes. It is our understanding that CSA had a strategy session at Moloko on 5 July 2019.

5.13.22.24. We determined that on 29 June 2019, Appiah responded to Maja's email of 28

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<sup>73</sup> Refer Exhibit 73

<sup>74</sup> Refer Exhibit 74



June 2019 and indicated that he was happy with his approach. We noted that Appiah copied Adams and Eksteen in his email to Maja.

- 5.13.22.25. In terms of paragraph 8.2 of the RFP, stage 1 of the evaluation process would entail reviewing whether the proposal was submitted on time with all the returnable and applicable supporting documents.
- 5.13.22.26. The evaluation process recommended by Maja in his email of 28 June 2019 was not in line with the evaluation criteria in the RFP.
- 5.13.22.27. According to the RFP, price would only be evaluated in stage 3 upon the respondent meeting the requirements set out in stage 1 and stage 2.
- 5.13.22.28. Clause 3.4.2 of the SCM policy, provides that the Tender Committee shall comprise of at least the relevant Department Head, the Procurement Manager and CFO. Where the procurement spend is anticipated to exceed R1 million, the CEO should form part of the Tender Committee.
- 5.13.22.29. There is no evidence that proposals relating to the RFP were evaluated on 5 July 2019. We were further not provided with the evaluation reports relating to the RFP.
- 5.13.22.30. During our consultation with Eksteen, he indicated that the proposals were only evaluated on price. Eksteen however indicated that he could not recall whether Maja prepared an evaluation report on not.
- 5.13.22.31. Based on the review of Maja's computer, we found copies of letters issued to Sportzworkz Private Limited, Sporty Solutions and Innovative Productions confirming receipt of proposals for the RFP for Productions Services.
- 5.13.22.32. According to the letters, the CSA tender adjudication committee would revert to the service providers by the last week of July 2019 after careful consideration of all the submitted proposals.
- 5.13.22.33. We noted that the letters were signed by Maja in his capacity as the Procurement Manager.

#### **Appointment of successful bidder for Production Services**

- 5.13.22.34. On 17 July 2019, Appiah wrote an email to Adams and Maja indicating that he had not seen an email going to service providers about receipt of their proposals as well as timelines to evaluate the proposals and advise them of the outcome of the adjudication process.

- 5.13.22.35. We determined that Adams responded to Appiah's email and indicated that his query had been actioned. We further determined that on the same day, i.e. 17 July 2019, Maja wrote an email to Appiah and Adams and copied Gwaza. According to Maja's email, letters were written to all the bidders acknowledging receipt of their proposals. Maja indicated that the bidders were informed that CSA would return to them by the end of July upon the Tender Committee finalizing the adjudication process.
- 5.13.22.36. As indicated above, during a review of Maja's computer, we found letters issued to Sportzworkz Private Limited, Sporty Solutions and Innovative Productions confirming receipt of their proposals in respect of the TV Productions RFP.
- 5.13.22.37. According to Maja's email of 17 July 2019, Appiah and Adams were going to first speak to GSC/Megapro to confirm their number before the finalization of the successful bidder. Maja further stated that the bidder's documents were sent to Gwaza to check whether their terms and conditions met CSA requirements.
- 5.13.22.38. Gwaza indicated that he was not involved in the procurement process in the RFP for Production Services. Gwaza further stated that he was shown letter to review after the adjudication committee had met.
- 5.13.22.39. Maja requested Appiah to advise on the way forward assuming that he had agreed on a number with GSC/Megapro.
- 5.13.22.40. On 18 July 2019, Appiah wrote an email to Maja and Adams and copied Gwaza. In his email, Appiah *inter alia* indicated the following:
- Dear Chippa
- "..... In terms of the way forward, we will engage them at the end of the month and advise of them of whether they were successful or not.*
- Against the above, please prepare template letters for "regret" and "acceptance/appointment" so that at the end of the month you can send to the respective service providers."*
- 5.13.22.41. We determined that on 23 July 2019, Appiah wrote an email to Becker and copied Gwaza, Moseki, Govender, Adams and Mota. The subject matter of the email was "MSL TV Production Deal"
- 5.13.22.42. In his email, Appiah provided key terms of the Production deal as follows:

- 1) *Period: 4 years/seasons;*
- 2) *Annual costs: 31.5 million;*
- 3) *Escalations: 0%*
- 4) *Detailed budget sign – off – 3 months prior to commencement of league (and release of fixture)*
- 5) *Production plan-sign-off by CSA – 3 months prior to commencement of league (and release of fixtures)*
- 6) *Transfer of skills to and involvement of SA Local talent:*
  - (a) *Year 1 at least 30% SA*
  - (b) *Year 2 at least 45% SA*
  - (c) *Year 3 at least 60% SA*
  - (d) *Year 4 at least 80% SA*
- 7) *The rest should be similar to prior year.*

5.13.22.43. We noted that Appiah invited Gwaza, Govender, Moseki and Adams to include any other matters for the agreement.

5.13.22.44. On 26 July 2019, Maja sent an email to Appiah and Moseki and copied Adams and Eksteen. The subject matter of the email was “GSC Figure Confirmation”

5.13.22.45. In his email to Appiah and Moseki, Maja indicated that he was preparing draft letters to the successful and unsuccessful bidders for the MSL Production. Maja further enquired what was the confirmed figure with GSC so as to include it on the letter.

5.13.22.46. During our consultation with Gwaza, he indicated that he could not recall whether GSC had participated in the RFP.

5.13.22.47. Gwaza provided us with copies of proposal submitted by Sportzworkz Private Limited, Sporty Solutions and Innovative Productions. Gwaza however indicated that the evaluation report could not be located.

5.13.22.48. On 26 July 2019, Appiah wrote an email to Maja and Moseki and copied Adams and Eksteen.

5.13.22.49. Appiah indicated *inter alia* that the draft letter should not be circulated until it was reviewed. According to Appiah’s email, the plan was to attach a draft agreement to the appointment letter. Appiah requested Maja to consult with Gwaza on whether the material terms of the agreement should be contained in the appointment letter.

- 5.13.22.50. Appiah further stated that Maja should consult with Moseki on whether the rejection letters should only be sent after GSC has accepted CSA's terms.
- 5.13.22.51. In terms of paragraph 1 of the CSA SCM policy, the policies and processes were intended to ensure good practice and achieve cost savings where possible while adding value to the organisation as a whole.
- 5.13.22.52. There is no evidence that there was a tender committee formed to evaluate proposals in respect of the RFP for Production Services as provided for in paragraph 3.4.1 of the SCM policy.
- 5.13.22.53. As indicated below, the production costs agreed upon with GSC was R31.5 million. The costs were reduced by R8 million in respect of Outside Broadcasting Vans (OBV) sponsored by SABC as part of the Value on Kind (VIK) sponsorship. The production costs were therefore R23.5 million. There is however no evidence that the tender was approved by a Tender Committee and ratified by FinCom as provided for in paragraph 3.4.1 of the SCM policy.
- 5.13.22.54. There is no evidence that the RFP was evaluated according to the criteria set out in the RFP.
- 5.13.22.55. CSA failed to keep records relating to the evaluation process followed on the RFP for Production Services.

**Regret letter issued to Service Providers**

- 5.13.22.56. We determined that on 14 August 2019, Maja sent emails with regret letters to the following service providers:
- 5.13.22.56.1. Sportzworkz Private Limited;
  - 5.13.22.56.2. Sporty Solutionz; and
  - 5.13.22.56.3. Innovative Production Group.
- 5.13.22.57. We noted that the letters were signed by Maja in his capacity as Procurement Manager.
- 5.13.22.58. We determined that prior to Maja sending the regret letter, Gaurav Bahal of Sportzworkz wrote an email dated 14 August 2019 at 09:26 to Maja and copied Adams and Gwaza, requesting an update on the RFP as he indicated that *"We are hearing lots of rumours so please let us know if there is any update on this"*.
- 5.13.22.59. We determined that on 14 August 2019 at 1:28, Bahal sent a further email to Maja indicating the following:

*“This is very disappointing Mr. Maja. Could you please let us know the reasons for not accepting our bid”.*

5.13.22.60. We determined that on 14 August 2019 at 1:58, Maja sent an email to Gwaza requesting that the latter advise on the response to Bahal’s email above.

5.13.22.61. We did not find any evidence that CSA responded to Bahal’s email of 14 August 2019 discussed above.

5.13.22.62. As discussed below, as at date of issuing of regret letters to the services providers listed above, CSA had already sent the first draft Production Agreement to GSC for consideration

5.13.22.63. Based on the review of documentation provided to us, GSC was appointed for the Production Services despite the fact that GSC did not participate in the RFP for Production Services.

5.13.22.64. As indicated above, there was no agreement between CSA and GSC providing for the so-called matching rights. It follows that the appointment of GSC in respect of Production Services was not only unfair to other service providers but was also based on misleading information i.e. that there was a matching rights clause with GSC.

### 5.13.23. **Draft Production Agreement between CSA and GSC**

5.13.23.1. We determined that CSA concluded a Production Agreement with GSC relating to the production of audio-visual coverage, and delivery of other production services in respect of the MSL.

5.13.23.2. We determined that GSC did not participate in the RFP, however they were given matching rights to negotiate and match their costs for Production Services with the highest bidder;

5.13.23.3. We further determined that GSC agreed on production costs of R23.5 million in respect of production services for the 2019 MSL. We were however not able to confirm which company GSC matched their costs with as we were not provided with all the price quotations submitted by bidders in respect of the RFP.

5.13.23.4. As indicated above, the 2019 MSL was scheduled to commence on 8 November 2019. We however noted that the Production Agreement was only signed by Moroe on 8 November 2019 due to delays by GSC in finalizing the agreement.

- 5.13.23.5. Based on documentation reviewed, we determined that on 27 July 2019, Becker sent a draft production agreement to Moroe, Govender, Appiah, Gwaza, Eksteen and Moseki requesting that they review and provide comments on the agreement.
- 5.13.23.6. We determined that on 28 July 2019, Appiah sent an email to Becker and copied Moroe, Govender, Appiah, Gwaza, Eksteen and Moseki. In his email, Appiah included his comments to Becker relating to some of the clauses in the agreement. We further determined that Appiah attached a copy of the RFP for Production Services in his response to Becker<sup>75</sup>.
- 5.13.23.7. On 29 July 2019, Eksteen wrote an email to Becker and provided input on the draft production agreement.
- 5.13.23.8. On 2 August 2010, at 10:09, Becker sent an email to Eksteen and copied Appiah, Mota, Govender, Adams, Moroe, Moseki and Gwaza. According to the email, Becker indicated that he had revised the Production Agreement to take into account comments received from Eksteen, Adams, Appiah and Mota.
- 5.13.23.9. Becker further requested clarity on the following:
- “With respect to the introductory section and clause 31, Martin had inserted some wording referring to the fact that an RFP had been sent to them, but it is still unclear to me whether they actually submitted a Proposal (as referred to in the attached draft) and whether they actually formally participated in the RFP process. I get the impression that they did not but I would be grateful if you would confirm”*
- “If not, they may argue that the terms of the RFP (including the specifications issued pursuant thereto) are not binding upon them and that this introductory wording (referring to the RFP process) should be removed. I have nevertheless incorporated all the wording from the specifications in the RFP into this Production Agreement and let’s see what they come back with in this respect.”*
- 5.13.23.10. We determined that on 6 August 2019, Becker followed up on his email of 2 August 2019. In his email, Becker indicated that he had not received any comments on his queries.
- 5.13.23.11. Based on documentation reviewed, we did not find any response from CSA officials copied in the email above relating to Becker’s enquiry on whether

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<sup>75</sup> Refer Exhibit 75

GSC participated in the RFP for Production Services.

5.13.23.12. During our consultation with Becker, he indicated that according to his knowledge there was no proper tender process in respect of RFP for Production Services. Becker confirmed that he asked questions about whether there was a proper procurement process with respect to the RFP however he never received clear answers on this from CSA. Becker indicated that GSC were aware of the RFP and further that he, Becker, inserted various provisions from the RFP into the Production Agreement.

**First Draft Production Agreement sent to GSC**

5.13.23.13. We determined from a review of emails that Becker sent the first draft production agreement to Krishnakumar on 8 August 2019.

5.13.23.14. We noted that Becker also attached a copy of the RFP to his email to Krishnakumar.

5.13.23.15. Becker *inter alia* indicated the following in his email to Krishnakumar:

*“Please note that I have used the same agreement as last year (which makes sense, given that it was agreed), together with some additional terms arising from the RFP process (RFP is also attached for ease of reference, although you should already have this)”.*

5.13.23.16. We determined that on 12 August 2019, Krishnakumar sent an email to Becker indicating that GSC would review the draft production agreement and get back to him.

5.13.23.17. We determined that Becker and Govender sent various emails to Krishnakumar following up on the draft production agreement. We noted that Krishnakumar only responded to CSA’s email on 7 November 2019. According to Krishnakumar, GSC was waiting for final comments from their production team.

5.13.23.18. On 7 November 2019 at 17:57 Krishnakumar sent an email to Govender. Attached to the email was the draft production agreement with comments.

5.13.23.19. Govender forwarded Krishnakumar’s email with the production agreement to Gwaza and Adams and copied Moroe.

5.13.23.20. We determined that on 7 November 2019 at 18:45, Gwaza sent the production agreement to Becker for review and advice.

5.13.23.21. On 7 November 2019 at 18:52, Moroe sent an email to Gwaza, Govender, and Adams.

5.13.23.22. In his email, Moroe indicated the following:

*“Guys this really is unprofessional to do things in this manner after we have waited for so long!*

*Fact remains without this contract being signed, the tournament cannot go ahead so I suggest you let Meera know because now we need to review on our end”.*

5.13.23.23. On 7 November 2019 at 23:29, Becker wrote an email to Gwaza and copied Govender, Adams and Moroe.

5.13.23.24. Becker confirmed that the draft production agreement was provided to GSC on 8 August 2019 and the fact that the latter only provided comments three months later on a material agreement the day before the event starts was not acceptable.

5.13.23.25. We determined that Becker provide comments on the production agreement as follows:

*“As per their comment on the definition of “Broadcast Manual” and the other related deletions in the contract (such as clause 6.4), they have deleted their obligation to provide a Domestic Feed in the agreement. My instructions from Clive and Nas were that this was to be included, and my understanding is that this was also part of the RFP (9.1.5 of the RFP does mention two feeds although it is not spelled out as clearly as it could be in that sub-paragraph). As regards the RFP, my instructions were also that they were told that even though they did not actually formally participate in the tender process, they were informed that they had to comply with the particulars in the RFP. Indeed, they appear to have accepted through their acceptance of my amendments on the front page, that their proposal was based on the RFP and that the RFP forms part of this agreement. This is an important point of principle for CSA to consider, particularly bearing in mind that this agreement is for the next 4 seasons”*

5.13.23.26. Becker further indicated that some of GSC’s comments and deletions on the production agreement were not consistent with the RFP.

5.13.23.27. Becker further indicated that in consideration of his comments, CSA needed to consider that it would need to live with the production agreement for 4 seasons, and any deviation from the RFP needed to be carefully considered.

5.13.23.28. As indicated above, the 2019 MSL was scheduled to commence on 8



November 2019 and the production agreement between GSC and CSA was yet to be finalised.

5.13.23.29. We determined that on 8 November 2019, Krishnakumar sent an email to Govender and copied Becker, Srinivasan and Moseki with the final production agreement.

5.13.23.30. On 9 November 2019, Govender sent an email to Gwaza with the production agreement dated 8 November 2019. In her email to Gwaza, Govender indicated that all deletions in the last review had been reinstated. We noted that the production agreement was signed by Moroe on 8 November 2019 on behalf of CSA. We further noted

5.13.23.31. According to Schedule 3 of the Production Agreement, the production costs were reflected as R23,5 million. As indicated above, GSC proposed production costs of R31,5 million. We determined that the production costs of R31.5 million were reduced to R23,5 million as SABC had offered to CSA Outside Broadcasting Vans to the value of R8 million as part of a Value in Kind (“VIK”) Sponsorship.

5.13.23.32. We determined that the Production costs of R23,5 million would be offset against the Licence fee of \$5 million payable to CSA for the 2019 MSL.

#### 5.13.24. **LED Agreement between Megaview and CSA**

5.13.24.1. According to the proposal from GSC dated 31 January 2019 discussed above, under the financial closure terms of MSL 2018, Megaview (GSC Affiliate) would be vested with the LED services contract for a period of 4 years (MSL 2019 to 2022).

5.13.24.2. We determined that CSA entered into an LED Solutions Rental Agreement with GSC. The effective date of the agreement was 16 November 2018. According to paragraph 2.2.31.1 of the 2018 LED Agreement, Rental would in respect of the first season mean an amount of R13 907 458.00 and paragraph 2.2.31.2 provided that the second Season to the fifth season means an amount of R14 000 000.00 per season to be paid by CSA to GSC in consideration for the Lease.

5.13.24.3. We determined that the 2018 LED Agreement was signed by Moroe on 27 March 2019 on behalf of CSA. Based on the agreement provided to us, we noted that Megaview did not sign the agreement.

- 5.13.24.4. According to paragraph 7.1 of the 2018 LED agreement, we determined that the agreement would commence on the effective date and endure until 30 April 2023.
- 5.13.24.5. As indicated above, in terms of the 2019 MSL, CSA and GSC agreed to conclude three transactions agreements. One of the said transaction agreements was the LED agreement.
- 5.13.24.6. We were provided with an unsigned First Addendum to Media and Commercial Rights Framework Agreement between CSA, GSC and Megaview.
- 5.13.24.7. According to paragraph 2.3.4 of the First Addendum, Transaction Agreement shall mean, collectively, the:
- 5.13.24.7.1. Production agreement entered into/to be entered into between CSA and GSC for the Term and for a maximum production fee of R31,500,000 per Season of the League;
- 5.13.24.7.2. LED solution rental agreement entered into / to be entered into between Megaview and CSA for the Term and for a maxim rental fee of R14,000,000 per Season of the League; and
- 5.13.24.7.3. Framework Agreement;
- 5.13.24.8. In terms of paragraph 3 of the First Addendum, the parties wished to enter into an agreement to record an appropriate set-off arrangement in respect of various payments which would be due and payable between the parties under the Transactions Agreements.
- 5.13.24.9. It is our understanding that in terms of the agreement, the amount of R14 000 000.00 in respect of LED, would be offset against the Licence fee of \$5 million payable to CSA for the 2019 MSL.

**5.13.25. Non-payment of licence fees by GSC**

- 5.13.25.1. As indicated above, one of the recommendations provided by Manning in his email of 18 September 2018 was that in considering GSC's proposal, CSA should ensure there is a favourable payment schedule put in place for cash flow.
- 5.13.25.2. We determined that clause 12.1 of the Framework Agreement provided that in consideration for the League Rights, GSC shall pay to CSA a license fee in

an amount of USD 5 000 000.00 (five million United States Dollars) per Season.

5.13.25.3. We further determined that clause 12.2 of the Framework Agreement provided that the License Fee would be payable as follows:

5.13.25.3.1. 25% (twenty five percent) of the License Fee shall be payable on the date that falls 3 (three) months prior to the commencement of the Season each year;

5.13.25.3.2. 25% (twenty five percent) of the License Fee shall be payable on the date that CSA announces the official Match schedule of the Season each year, provided that CSA shall use Commercially Reasonable Endeavours to ensure that the official Match schedule is announced no later than 3 (three) months prior to the commencement of each Season, provided that, in respect of the 2nd (second) Season (2019/2020 Season) CSA shall provide GSC with the Match schedule no later than 15 August 2019;

5.13.25.3.3. 25% (twenty five percent) of the License Fee shall be payable on the day that falls on the date on which half of the Matches for the Season in question shall have been played; and

5.13.25.3.4. 25% (twenty five percent) of the License Fee shall be payable 30 (thirty) days after the last Match of each Season.

5.13.25.4. During our consultation with Govender, she *inter alia* indicated that the contract value took into account a cash component for the commercial rights that GSC purchased from CSA.

5.13.25.5. Govender further stated that the contract value also included a set-off for production of the event which GSC also delivered as a service provider, including the provision of:

5.13.25.5.1. Outside broadcast (OB) trucks that were used for production and which CSA negotiated directly with SABC as part of the broadcast deal; and

5.13.25.5.2. LED units paid to GSC's local partner, Megaview.

5.13.25.6. According to Govender, the deal was structured as follows:

5.13.25.6.1. Contract value = US\$ 5m (to CSA) = R70m (@ R14=\$1 at the time);

5.13.25.6.2. Production payable (to GSC) = R31.5m less R8m for OB trucks;

and

5.13.25.6.3. R14m for LEDs payable to Megaview.

5.13.25.7. We understand that the duration of the 2019 MSL was from 8 November 2019 to 16 December 2019.

5.13.25.8. We determined from a review of documentation that GSC failed to honour their financial obligation in terms of the milestones and payment schedules agreed upon in the Framework Agreement.

5.13.25.9. We further determined from a review of minutes of the FinCom meeting of 20 November 2019 that the Committee raised concerns on the major financial risk of GSC's failure to pay the contract price to CSA.

5.13.25.10. The Committee noted that if CSA had not received the bank guarantee by the end of November 2019, GSC would be 75% in default of their contractual obligation.

5.13.25.11. According to the minutes, Management indicated that they were in the process of issuing notice to GSC in an effort to have them pay what was due to CSA.

**5.13.26. Email dated 25 November 2019 from Khan to CSA Board and Moroe**

5.13.26.1. On 25 November 2019, Khan wrote an email to the CSA Board and Moroe raising various concerns including *inter alia* that GSC had not complied with the payment and guarantee terms of the contract which was compounded by the fact that the Board had not seen the "due diligence" conducted by CSA advisors<sup>76</sup>.

5.13.26.2. The email from Khan above is an indication that the Board was misled that there was a "due diligence" conducted on GSC whereas in truth there was no due diligence conducted.

5.13.26.3. As indicated above, subsequent to the FinCom meeting of 20 November 2019, the Board mandated Moroe and Gwaza to follow up with GSC on the outstanding guarantee and payment.

5.13.26.4. On 26 November 2019, Moroe wrote an email to Srinivasan indicating that he would be sending him an email to enquire about outstanding payments from

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<sup>76</sup> Refer Exhibit 76

GSC to CSA as mandated by the Board.

5.13.26.5. We were however not provided with evidence that Moroe sent further communication to Srinivasan to follow up on the outstanding payment.

**5.13.27. Follow up on outstanding licence fees**

5.13.27.1. We determined that on 26 November 2019, Govender sent an email to Srinivasan, GSC CEO enquiring about an outstanding invoice of R4.9 million due from the previous season.

5.13.27.2. On 18 December 2019 at 12:31 PM, Srinivasan wrote an email to Govender and copied various CSA officials. The subject matter of the email was "GSC Payment to CSA" and indicated the following:

*"attached is the transfer and closure of all payments to CSA with respect to MSL. Kindly confirm receipt of funds tomorrow once your bank has credited"*

5.13.27.3. It is our understanding that the payment referred to above related to outstanding invoices for the 2018 MSL season.

5.13.27.4. We determined that on 18 December 2019 at 18:58, Pailwan sent an email to Srinivasan indicating that CSA would confirm receipt once funds had been reflected in CSA's account. Pailwan indicated that the payment of R4.9 million would close off the outstanding fees for the 2018 MSL.

5.13.27.5. In her email to Srinivasan, Pailwan enquired when the outstanding payment of \$5 for the 2019 MSL season would be received from GSC.

5.13.27.6. On the same day, *i.e.* 18 December 2019 at 21:16, Krishnakumar sent an email to Pailwan and copied various CSA officials. The email read as the follows:

*"Hi Shahnaaz*

*Msl 2019 needs serious discussion as CSA has breached in its obligations across board to GSC. This has been very disappointing performance from CSA which has compromised all GSC rights to monetise compounded by management debacle during start of event . Csa owes GSC as on date Rand 46 million nearly for which not even cent was paid by CSA till date.*

*My board advised to disassociate from the event and association with MSL & CSA during your management melt down and I had to plead to my board to allow both led and to production continue , as we dont want the MSL to get into accelerated closure if we withdrew from both led and to production.*

*We will meet with your csa team on Jan 28th 2020 at your office with our comprehensive report for discussion. At this moment its CSA which owes money to GSC of around Rand 46 Million for which GSC has rendered service in full in respect of led and to production.*

*Have Merry Xmas and looking forward in Jan to meet and review is there MSL 3.0 if so what obligations CSA will commit and perform which it has failed to do in both MSL 2018 and in 2019 ??*

BR

MSM"

- 5.13.27.7. We determined that on 18 December 2019, Govender responded to Srinivasan's email requesting that GSC share a list of the breach in obligations for MSL 2018 and MSL 2019.
- 5.13.27.8. Govender further stated in her response to Srinivasan that the amount owed to GSC had been referred to CSA's CFO.
- 5.13.27.9. Srinivasan responded to Govender requesting that the challenges and differences experienced by GSC and CSA be discussed during the proposed meeting of 28 January 2020.
- 5.13.27.10. We determined that on 18 December 2019 at 16:31, Moseki wrote an email to Srinivasan and copied Govender, Faul, Meera and two officials from ITW. We noted that Moseki's email was in response to Srinivasan's email of the same date relating to *inter alia* that CSA allegedly owed GSC R46 million.
- 5.13.27.11. In his email to Srinivasan, Moseki *inter alia* indicated that GSC had missed countless milestones per the Framework Contract resulting in CSA withholding payment to GSC.
- 5.13.27.12. According to Moseki's email, the plan was to offset the amount owed to GSC as soon as the latter adhered to its contractual obligations. In his email, Moseki indicated that the amount due to GSC was R31.5 million less R8 million for Outside Broadcasting Van Costs and R14 million due to Megaview for LED rental. The amount due to GSC group of companies was therefore R27.5 million.
- 5.13.27.13. We determined that on 18 December 2019, Faul sent an email to Srinivasan and indicated the following:

*“Hi*

*The non-payment is a serious issue and cannot wait till the 28th of January 2020. There were contractual obligations that were not honoured and milestone payments were missed. If we don't settle this in the next 48 hours we will most likely not meet in January 2020 as it would have become legal matter. We have press attention on the non-payment and I am afraid that it will not help either of the parties. I urge you to make an urgent payment as per the agreement.*

*Kind Regards”*

5.13.27.14. On the same day, i.e. 18 December 2019, Srinivasan responded to Faul's email and indicated the following:

*“Dear Sir*

*GSC has brought to the attention of CSA management both with suspended CEO and later, what obligations either party had to fulfil. If CSA feels time is of critical essence we will be happy to have CSA representatives at Chennai on Dec 23 24 26 27 28th to give it immediate attention you feel it deserves.*

*Wish CSA has given same attention when GSC conditional offer was given in February 2019, CSA committed to give decision on or before end March early April 2019 and when our offer expired, dragged matters unpleasantly till end August leaving GSC completely vulnerable. Again as management melt down was happening just before MSL 2019 and I was crying for guidance and csa (sic) obligations to be performed, there was no response from CSA which went with deafening silence insensitive to the cries of GSC.*

*GSC as on date is not in default of any of its obligations under contract both performance and financial obligation and confident it can defend itself vigorously if ever it reaches that stage.*

*If your preferred course is litigate to decide who breached or defaulted, I will refrain anymore communicating and let my legal team take over. If your preference is to resolve differences by interaction and objective review I will be keen to continue process leading into sustainable solution meeting both party objectives.*

*MSM”*

5.13.27.15. During our consultation with Moseki, he indicated that following various engagements with GSC, the latter had offered to settle the outstanding payment by 28 March 2020. Moseki further stated that GSC later made an

undertaking that the outstanding licence fees would be payable within 6 weeks. Moseki indicated that GSC failed to meet the deadline of 6 weeks.

5.13.27.16. We determined that GSC continued to engage with CSA relating to the outstanding license fees and reached a settlement in June 2020.

5.13.27.17. The terms of the settlement offer are discussed below.

#### 5.13.28. **Settlement Offer from GSC**

5.13.28.1. We determined from a review of emails that on 29 May 2020 at 12:09, Srinivasan wrote an email to Faul and copied Moseki, Gwaza, Donald Campbell and Frishnakumar<sup>77</sup>.

5.13.28.2. We noted that the email proposed a full and final settlement of \$1 163 793 in respect of the 2019 MSL season to be payable on the following terms:

5.13.28.2.1. \$163 793 on or before 22 June 2020;

5.13.28.2.2. \$500 000 on or before 27 July 2020; and

5.13.28.2.3. \$500 000 on or before 28 August 2020

5.13.28.3. Srinivasan sought CSA's understanding and consent for the proposed terms in order to draft an agreement between GSC and CSA.

5.13.28.4. We determined that on 5 June 2020 at 13:21, Faul sent an email to Srinivasan and copied Gwaza, Moseki, Campbell and Krishnakumar.

5.13.28.5. In his email to Srinivasan, Faul indicated that CSA agreed to the settlement offer proposed by GSC in Srinivasan's email of 29 May 2020.

5.13.28.6. Faul further indicated the following:

*"We need to record that should these payments not be honored, we reserve our rights to charge punitive interest on the late payment. The non-payment has a negative influence on our interaction with ITW. We further are receiving media attention about the non-payment. We hope that you understand the urgency of the matter. Please note that the payment would not constitute any rights but merely settles your outstanding financial obligations".*

#### 5.13.29. **Potential losses to CSA**

5.13.29.1. As indicated above, the Framework Agreement was structured as follows:

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<sup>77</sup> Refer Exhibit 77



- 5.13.29.1.1. Contract value = US\$ 5m (to CSA);
- 5.13.29.1.2. Production payable (to GSC) = R31.5m less R8m for Outside Broadcasting trucks/Vans; and
- 5.13.29.1.3. R14m for LEDs payable to Megaview.
- 5.13.29.2. During our consultations with Moseki, he indicated that based on the budget rate of \$/R13, the outstanding fees in respect of the Licence Fees is R27 500 000.00 and calculated as follows:

Rights	R65 000 000.00 (\$5 million X R13)
Productions Costs (GSC)	(R31 500 000.00)
Outside Broadcasting Vans (VIK)	R8 000 000.00
Megaview LED	(14 000 000.00)
<b>Net</b>	<b>R27 500 000.00</b>
<b>Settlement</b>	<b>R15 129 309,00 (\$1 163 793 X R13)</b>

- 5.13.29.3. We determined that if the budgeted rate of \$1:R13 is applied on the proposed settlement offer of \$1 163 793, CSA will suffer losses of about R12 370 691,00 for the 2019 MSL season (R27 500 000.00 - R15 129 309.00).
- 5.13.29.4. Should GSC fail to honor the settlement offer of \$1 163 793 as per the agreed terms, CSA will suffer losses of R27.5 million in respect of the 2019 MLS season
- 5.13.29.5. The non-payment on the Licence Fees by GSC could have been avoided or mitigated had CSA conducted a due diligence on GSC in order to timeously decide whether they wanted to contract with GSC and also if the bank guarantee was obtained as recommended by Manning and set out in the Agreement.

### 5.13.30. Conclusions relating to the due diligence report

Based on the review of documentation and consultations conducted we conclude as follows:

- 5.13.30.1. In August 2019, CSA entered into a Framework Agreement with GSC
- 5.13.30.2. Prior to the conclusion of the Framework Agreement, Manning of IMG issued an opinion to CSA relating to the proposal from GSC;
- 5.13.30.3. The opinion was sent to Eksteen, Moroe and Appiah on 18 September 2018;
- 5.13.30.4. Manning highlighted various material risks in respect of the GSC proposal

- and recommended that CSA conducts a detailed due diligence prior to the conclusion of the agreement;
- 5.13.30.5. Moroe and Appiah failed to share Manning's email and concerns relating to the GSC proposal with the Board and FinCom prior to the conclusion of the Framework Agreement;
- 5.13.30.6. Moroe and Appiah failed to Action Manning's recommendations that a due diligence be performed;
- 5.13.30.7. IMG did not provide a due diligence report but merely made recommendations to CSA to *inter alia* conduct due diligence and obtain a bank guarantee from GSC given the significance of their proposed financial commitment, and the rights that CSA would be granting;
- 5.13.30.8. The Board and FinCom were informed by Management (particularly Appiah) that a due diligence report was conducted on GSC;
- 5.13.30.9. The Due Diligence report was not presented to the Board and FinCom despite the Board's various requests to Management to do so;
- 5.13.30.10. Moroe was copied in all email communication relating to the due diligence and attended all FinCom and Board meetings wherein the Committee and the Board continuously requested Management to submit the due diligence conducted on GSC;
- 5.13.30.11. There is however no indication that Moroe took any action to show leadership as he did not appear to have taken an active role in ensuring that the due diligence was conducted and presented to FinCom and the Board.
- 5.13.30.12. Moroe, Appiah and Gwaza had various opportunities to inform FinCom and the Board that the due diligence on GSC was not conducted, however they continued to promise FinCom and Board that the due diligence would be presented.
- 5.13.30.13. Moroe and Appiah failed to ensure that a due diligence was conducted on GSC.
- 5.13.30.14. Material risks identified by IMG in respect of the GSC proposal were realised, which included GSC's failure to deliver a bank guarantee and non-payment of the License Fees by GSC as per the Framework Agreement;
- 5.13.30.15. Moroe and Appiah failed to ensure that the bank guarantee was secured from

GSC as provided for in the Framework Agreement;

- 5.13.30.16. Failure by Moroe and Appiah to ensure that the bank guarantee was secured from GSC indicates a lack or absence of effective internal controls;
- 5.13.30.17. FinCom recommended the approval of the GSC proposal subject to a due diligence report being made available by Management;
- 5.13.30.18. Khan confirmed that FinCom was put under pressure by Management to recommend to the Board to approve GSC's proposal without the due diligence as the 2019 MSL season was a few months away;
- 5.13.30.19. Khan indicated that had FinCom been made aware that there was no Due Diligence on GSC, they would not have recommended to the Board to approve GSC's proposal;
- 5.13.30.20. The Board was not provided with, and did not consider a due diligence report prior to the approval of the agreement with GSC;
- 5.13.30.21. The Board of Directors approved the Framework Agreement without the due diligence report;
- 5.13.30.22. The Board was complacent in approving the Framework Agreement without ensuring that there was due diligence conducted on GSC;
- 5.13.30.23. The conduct of the Board appears to be dereliction of their fiduciary duties in terms of Section 76(3) of the Companies Act in that they may not have acted
  - 5.13.30.23.1. in good faith and for a proper purpose;
  - 5.13.30.23.2. in the best interests of CSA; and
  - 5.13.30.23.3. with the degree of care, skill and diligence that may reasonably be expected of a person:
    - 5.13.30.23.3.1. carrying out the same functions in relation to CSA as those carried out by that director; and
    - 5.13.30.23.3.2. having the general knowledge, skill and experience of that director.
- 5.13.30.24. We however noted Section 76(4) (b) states the following:
- 5.13.30.25. In respect of any particular matter arising in the exercise of the powers or the performance of the functions of director, a particular director of a company – is entitled to rely on –

- (i) the performance by any of the persons –
  - (aa) referred to in subsection (5); or
  - (bb) to whom the board may reasonably have delegated, formally or informally by course of conduct, the authority or duty to perform one or more of the board's functions that are delegable under applicable law; and
- (ii) any information, opinions, recommendations, reports or statements, including financial statements and other financial data, prepared or presented by any of the persons specified in subsection (5).

5.13.30.26. During our consultation with some of the Board members, the indicated they relied on information provided by Management that a due diligence was conducted on GSC;

5.13.30.27. The email from Manning was only provided to FinCom after the Framework Agreement was already concluded;

5.13.30.28. Any due diligence performed at this stage would not have benefitted the CSA as the agreement had already been concluded;

5.13.30.29. On 29 May 2020, GSC made a final settlement offer of \$1 163 793 million in respect of the 2019 MSL;

5.13.30.30. CSA accepted the settlement offer of \$1 163 793 on 5 June 2020;

5.13.30.31. The settlement offer of \$1 163 793 would be paid in three instalments commencing on 22 June 2020. The last instalment is payable on 28 August 2020;

5.13.30.32. The settlement offer of \$1 163 793 will result in losses of R12 370 691,00 for the 2019 MSL season;

5.13.30.33. Should GSC fail to honor the terms of the settlement offer, CSA will lose at least R27 500 000.00 in respect of the 2019 MSL Season;

5.13.30.34. Moroe contravened Section 76(3)(a) of the Companies Act in that he failed to act in good faith and for a proper purpose in that he did not inform FinCom and the Board that the due diligence on GSC was not conducted;

5.13.30.35. Moroe contravened Section 76(3)(b) of the Companies Act in that he failed to

act in the best interest of CSA by not ensuring that due diligence was conducted and Bank Guarantee was obtained; and

5.13.30.36. Moroe contravened Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to the company in that he failed to:

5.13.30.36.1. To show leadership by ensuring that the risk identified by Manning were properly addressed;

5.13.30.36.2. Ensure the FinCom and Board's instructions were complied with in relation to the provision of due diligence report;

5.13.30.36.3. Ensure the FinCom and Board take decisions based on properly presented and complete information; and

5.13.30.36.4. Ensure that CSA does not suffer losses or potential losses flowing from GSC's failure to fulfil its obligations in instances where their bank guarantee was not obtained.

#### 5.13.31. **Conclusions relating to the Production Agreement**

Based on the review of documentation and consultation with various individuals, we conclude as follows:

5.13.31.1. In 2018, CSA and GSC entered into a Production Agreement for the production of audio-visual coverage and delivery of other production services in respect of the 2018 MSL;

5.13.31.2. The 2018 Production Agreement between CSA and GSC was only for one edition/year, being the 2018 MSL;

5.13.31.3. In 2019, CSA issued an RFP for production of audio-visual coverage and delivery of other production services in respect of the 2019 to 2022 MSL;

5.13.31.4. CSA included a clause in the RFP notifying bidders that the organisation had an agreement with a third party in terms of which such a third party had a right to match any proposal which attained the highest score;

5.13.31.5. The 2018 Production Agreement between CSA and GSC did not include a matching clause as purported in the 2019 RFP for Production Services;

5.13.31.6. Moroe was aware or ought to have been aware that the RFP for Production Services included a matching rights clause as the RFP was sent to him by

Appiah and Becker;

- 5.13.31.7. Moroe was aware or ought to have known that 2018 Production Agreement between CSA and GSC did not include any matching rights clause;
- 5.13.31.8. Moroe failed to identify that the process followed in the appointment of GSC in respect of the Production was unfair and not in accordance with the Procurement Policy and Procedure;
- 5.13.31.9. Moroe failed to ensure that the appointment of GSC in respect of Production Services was approved by FinCom in terms of the delegation of authority contained Procurement Policy and Procedures;
- 5.13.31.10. The appointment of GSC outside the RFP processes and based on non-existent clause posed a risk of litigation by the unsuccessful bidders as well reputational damage;
- 5.13.31.11. Moroe offered and or accepted of R30 million from GSC for the Production Services before the finalization of the RFP process;
- 5.13.31.12. The offer of R30 million to GSC was not in accordance with the Procurement Policies and Procedures in that it negated the tender process that was being followed to appoint a company to render Production Services;
- 5.13.31.13. Moroe's conduct in finalizing the appointment of GSC was not in the best interest of CSA in contravention of section 76(3)(b) of the Companies Act;
- 5.13.31.14. Moroe failed to exercise due care, skill and diligence in finalizing the appointment of GSC in contravention of Section 76(3)(c) of the Companies Act in that he ought to have identified the risk of possible litigation against CSA by unsuccessful bidders;
- 5.13.31.15. CSA afforded GSC an unfair advantage to conclude a production agreement with CSA without participating in the RFP;
- 5.13.31.16. CSA had no intention of awarding the RFP for Production Services to the service providers that responded to the RFP as GSC had indicated in the proposal submitted in January 2019 that they wanted to be awarded the production agreement as part of the commercial and media rights agreement with CSA;
- 5.13.31.17. There is no evidence that a tender committee in terms of clauses 3.4.1 and 3.4.2 of the SCM policy was set up to evaluate proposals received in respect of RFP

for Production Services in 2019;

5.13.31.18. There is no evidence that the RFP for Production Services was evaluated in terms of the criteria set out in the RFP;

5.13.31.19. There is no record of an evaluation report or process followed by CSA in the evaluation of proposals submitted in respect of the RFP for Production Services;

5.13.31.20. The production costs agreed upon with GSC was R23.5 million. There is no evidence that the tender was approved by a Tender Committee and ratified by FinCom as provided for in paragraph 3.4.1 of the SCM policy;

5.13.31.21. The delay in the signing of the Production Agreement was caused by GSC; and

5.13.31.22. CSA failed to keep records relating to the evaluation process followed on the RFP for Production Services.

#### 5.13.32. **Recommendations relating to GSC Framework Agreement**

Based on the conclusions mentioned above, we recommend that CSA considers instituting disciplinary actions against Moroe for the following:

5.13.32.1. Contravening Section 76(3)(a) of the Companies Act in that he failed to act in good faith and for a proper purpose in that he did not inform FinCom and the Board that the due diligence on GSC was not conducted

5.13.32.2. Contravening Section 76(3)(b) of the Companies Act in that he failed to act in the best interest of CSA by not ensuring that due diligence was conducted and Bank Guarantee was obtained;

5.13.32.3. Contravening Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to the company in that he failed to:

5.13.32.3.1. To show leadership by ensuring that the risks identified by Manning were properly addressed;

5.13.32.3.2. Ensure that FinCom and Board's instructions were complied with in relation to the provision of due diligence report;

5.13.32.3.3. Ensure that FinCom and Board take decisions based on properly presented and complete information;

5.13.32.3.4. Ensure that CSA does not suffer losses or potential losses flowing from GSC's failure to fulfil its obligations in instances where the bank guarantee was not obtained;

5.13.32.3.5. Contravening Section 76(3)(a) of the Companies Act in that he failed to act in good faith and for a proper purpose as he was aware or ought to have been aware that the RFP for Production Services included a matching rights clause as the RFP was sent to him by Appiah and Becker; and

5.13.32.3.6. Contravened Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to the company in that he was aware or ought to have known that 2018 Production Agreement between CSA and GSC did not include any matching rights clause.

5.13.32.4. We further recommend that CSA considers instituting disciplinary action against Appiah for failure to exercise due care and skill expected from a reasonable person in a similar position in that he failed to ensure that FinCom and Board's instructions were complied with in relation to the provision of due diligence report.

#### 5.14. EXPENDITURES RELATING TO CSA CREDIT CARDS

5.14.1. We were required to review CSA policies on credit card issuing and usage and identify non-compliance and potential red flags including the following:

5.14.1.1. Misuse of credit cards by CSA staff members:

5.14.1.2. Non-submission of the supporting documentation;

5.14.1.3. Unauthorised spending;

5.14.1.4. Private use;

5.14.1.5. Contravention with credit card policy;

5.14.1.6. Unauthorised allocation of credit cards to staff members;

5.14.1.7. Identify non-business (personal) and excessive expenditure

5.14.1.8. Approval of credit card claims;

5.14.1.9. Exceeding of the threshold.



#### 5.14.2. Background

- 5.14.2.1. We determined that at least 50 CSA employees were issued with credit cards during the period under review, *i.e.* 2016 to 2019.
- 5.14.2.2. It is our understanding from consultations with Gwaza that during 2019, CSA conducted preliminary investigations into credit card use following allegations that some of the CSA employees were abusing the credit card facility.
- 5.14.2.3. Gwaza indicated that during 2019, CSA recalled credit cards issued to its employees (with the exception of a few employees) following the preliminary findings that there was lack of control and possible abuse of the credit card facility by some of the CSA employees.
- 5.14.2.4. We determined that on 12 November 2019, Moroe issued a notice to all CSA employees<sup>78</sup>. The notice *inter alia* indicated the following:
- “All Credit Cards need to be handed in to HR by Midday on the 13th of November 2019. Those who are travelling must declare that they are travelling and hand the credit card in upon their return. All use of credit cards by CSA staff members to stop immediately”.*
- 5.14.2.5. As indicated above, CSA requested Fundudzi to *inter alia* review and analyse the potential red flags that may indicate inappropriate financial and other reporting focusing on credit card issuing and usage.
- 5.14.2.6. We discuss below the findings of the review of credit card transactions relating to Moroe for the period 2016 to 2019.

#### 5.14.3. Credit Card Policy

- 5.14.3.1. According to paragraph 4.4.2 of Moroe’s contract of employment, the latter is *inter alia* responsible for supervision and implementing CSA’s policies and operations programs, budgets, procedures and directives established or changed from time to time (collectively, the “policies and operating programs”) adopted by the Board.
- 5.14.3.2. We determined that CSA does not have a credit card policy. During our consultation with Gwaza, he *inter alia* indicated that CSA had drafted a Credit

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<sup>78</sup> Refer Exhibit 78

Card Policy in 2020 which was yet to be approved.

- 5.14.3.3. According to Gwaza, the draft credit card policy was tabled at various committees for approval. Gwaza further stated that the draft credit card policy would be presented at the next Board meeting for consideration and approval.
- 5.14.3.4. CSA has been issuing credit cards to staff for years without there being a policy that provides guidance on the use of the credit card.
- 5.14.3.5. We determined that credit card holders had to follow specific steps when submitting credit card claims. The said steps included *inter alia* the following:
  - 5.14.3.5.1. Complete reconciliation report with bank statement and slips;
  - 5.14.3.5.2. The Purchase Order description line must contain correct details of the transaction;
  - 5.14.3.5.3. The total transactions need to reconcile to the total on the bank statement;
  - 5.14.3.5.4. Credit card expense form must be completed and signed off by Manager (Head of Department) and attached to the reconciliation report; and
  - 5.14.3.5.5. Provide reasons for the expense and client details if the expense was business related.
- 5.14.3.6. We noted from a review of documentation provided to us by CSA officials that during the period 2018 and 2019, in most instances, credit card claims were processed on the strength of a reconciliation report (completed by the credit card holder) accompanied by supporting documents in respect of the transactions.
- 5.14.3.7. We however noted that in most instances, the reconciliation reports were not signed by the Departmental Head even though Departmental Heads were required to sign the said report.

#### 5.14.4. **Review of credit card claims**

- 5.14.4.1. We were provided with CSA Standard Bank statements in respect of the credit card holders. The said bank statements were for the period 2015 to 2019.
- 5.14.4.2. We reviewed the bank statements and identified transactions that appeared to be irregular due to the amount, vendor and type of expenditure. We requested supporting documentation in respect of the identified transactions to verify

the validity of the said transactions.

- 5.14.4.3. CSA provided us with reconciliation reports and supporting documents completed by credit card holders for the period under review.
- 5.14.4.4. As indicated above, 50 CSA employees were issued with credit cards during the period under review i.e. 2016 to 2019. During our consultation with Janse Van Rensburg, CSA Finance Manager, she indicated that credit cards were issued to the respective CSA officials on request of the relevant Head of Department. Janse van Rensburg further stated that the Finance Department would send a request to the bank to issue a credit card for the respective CSA employee upon receipt of a request from the Head of Department.
- 5.14.4.5. Based on the review of the credit card claims, we noted that credit cards were mainly used for the following transactions:
  - 5.14.4.6. Entertainment;
  - 5.14.4.7. Accommodation;
  - 5.14.4.8. Uber Services;
  - 5.14.4.9. Office equipment;
  - 5.14.4.10. "Office" groceries;
  - 5.14.4.11. Clothing;
  - 5.14.4.12. Gifts; and
  - 5.14.4.13. Cellular Phones and Tablets.
- 5.14.4.14. Whilst there was no credit card policy during the period under review to provide guidance to CSA employees on the usage of the credit card, we noted what appears to be excessive spend on alcohol by some of the CSA employee during business functions *i.e.* meetings with clients.
- 5.14.4.15. Below is a summary of instances where employees used CSA credit cards to pay for alcohol during business functions:

Employee	Date	Statement date	Description	Amount
LL Maja	19-Aug-16	26-Aug-16	C* Sankayi	2 893,00

Employee	Date	Statement date	Description	Amount
TG Moroe	31-Aug-17	26-Sep-17	Hyatt Regent	3 290,00
OB Appiah	05-Oct-18	26-Oct-18	The Bungalow	12 922,47
OB Appiah	05-Oct-18	26-Oct-18	The Butcher Shop & Grill	13 710,94
OB Appiah	17-Oct-18	26-Oct-18	Milk and Honey	6 500,00
OB Appiah	17-Oct-18	26-Oct-18	La Toscana	14 705,00
TG Moroe	11-Oct-18	26-Oct-18	Signature Restaurant	11 560,50
OB Appiah	02-Nov-18	26-Nov-18	Rockets Bryanston	11 000,00
OB Appiah	16-Nov-18	26-Nov-18	Cubaña Claremont	447,00
OB Appiah	16-Nov-18	26-Nov-18	Cubaña Claremont	3 504,00
OB Appiah	17-Nov-18	26-Nov-18	Saint Champagne Bar	47 000,00
TG Moroe	24-Nov-18	26-Nov-18	Cubaña	27 000,00
TG Moroe	24-Nov-18	26-Nov-18	Cubaña	900,00
KT Gaofetoge	22-Dec-18	27-Dec-18	Cielo by the beach	4 000,00
TG Moroe	8-Dec-18	27-Dec-18	Coco	28 000,00

Employee	Date	Statement date	Description	Amount
TG Moroe	17-Dec-18	27-Dec-18	Coco	22 080,00
OB Appiah	07-Feb-19	26-Feb-19	Churchills Bar	10 149,00
RC Adams	24-Aug-19	26-Aug-19	Makro Germiston	887,00
A Kazi	02-Feb-18	26-Feb-18	Cuba G	5 000,00
OB Appiah	05-Feb-19	26-Feb-19	Rockets Bryanston	1 502,00
OB Appiah	03-Aug-19	26-Aug-19	Altitude Restaurant	13 151,60
MAS Moosajee	17-Jan-19	26-Jan-19	No 5 Boutique Art Hotel	25 135,00
TMN Gubevu	15-Apr-18	26-Apr-18	Bakubung Kubu Lodge	11 692,00
EH Vorster	05-Jun-18	26-Jun-18	Turn n Tender	2 076,00
MZ Zondi	21-Mar-18	26-Mar-18	Café Extrablatt	2 453,13
OB Appiah	23-Jun-18	26-Jun-18	Coco	21 604,80
OB Appiah	23-Jun-18	26-Jun-18	Coco	15 176,00

5.14.4.16. The above summary is based on the review of bank statement and supporting documents submitted by CSA officials referred to in the table above.

5.14.4.17. We noted that most of the transactions were processed on Moroe and Appiah's credit cards.

#### **Comments provided by CSA employees in respect of expenditure on alcohol**

5.14.4.18. We sent a list of credit card transactions that appeared to be irregular or were not supported by documentation to CSA employees to obtain comments and

explanation relating to the said transactions. The said list included transactions contained in the table above.

5.14.4.19. We were unable to obtain comments from Maja, Moosajee and Nkuta as they are no longer in the employ of CSA. We were further not able to obtain comments and or consult with Appiah as he indicated that there were contractual issues between him and CSA.

5.14.4.20. Below we provide a summary of comments from some of the CSA employee relating to transactions processed on their credit cards as reflected in the table above:

**Response from Gaofetoge relating to the transaction of R4 000.00**

5.14.4.21. Gaofetoge indicated that the transaction of R4 000.00 was processed during the MSL weekend in Cape Town with the CSA Commercial department as well as members of the media from Cape Town. We noted that the reconciliation form in respect of the transaction of R4000.00 was not signed by the Departmental Head. Gaofetoge indicated that the reconciliation form was supposed to be signed by him as he was the Acting Head of Media at the time.

5.14.4.22. Gaofetoge should have requested that his reconciliation form be approved by an Executive senior to him, i.e. COO or CFO.

5.14.4.23. Gaofetoge indicated that at the time that the R4 000 transaction was processed, there was no written guideline relating to expenditure on alcohol. Gaofetoge further indicated that there was a budget set aside and that it was a privilege given to CSA managers. We were however not provided with the said budget.

5.14.4.24. Gaofetoge indicated that during his tenure as the Acting Head of Media he was encouraged by the EXCO team to entertain a few of the media professionals. According to Gaofetoge, this was the strategy encouraged by the COO to assist CSA in its plight to get positive coverage for the newly launched tournament (Mzansi Super League).

**Response from Adams relating to the transaction of R887**

5.14.4.25. Adams *inter alia* indicated that the alcohol purchased using his credit card was for a CSA event. Adams further indicated that the said alcohol was not consumed during meetings but post meetings for a special event.

**Response from Gubevu relating to the transaction of R11 692,00**

- 5.14.4.26. According to Thokozile Thabede (“Thabede”), CSA Operational Excellence Administrator and event organizer for the 2018 Transformation Indaba, the invoice of R11 692 was for the 2018 Transformation Indaba held in Pilanesberg from 13 to 15 April 2018.
- 5.14.4.27. Thabede indicated that the charges shown are for refreshments consumed after the programme had been concluded for the day. Dalene Baatjies was given permission to sign for any incidentals as she was stationed at Bakubung. According to Thabede, the signing authority was given to Baatjies by the Transformation Executive (Jordaan) who was the project owner.
- 5.14.4.28. Gubevu indicated that he was asked to pay the R11 692 bill as he was the only one with a credit card at the reception when they were checking out at the Bakubung Lodge.
- 5.14.4.29. During a review of the credit card statements, we identified three transactions processed on 6 January 2019 on Appiah and Nkuta’s credit cards. The said transactions included two transactions of R10 000.00 and R30 000.00 processed on Appiah’s credit card and R10 000.00 processed on Nkuta’s credit card.
- 5.14.4.30. The transactions were processed at Coco, a restaurant in Cape Town. The transactions processed on Appiah and Nkuta’s credit cards on 6 January 2019 are discussed in detail below.

**5.14.5. Review of Moroe’s Credit Card Bank Statements**

- 5.14.5.1. We determined from documentation provided to us by CSA officials that Moroe was issued with standard bank credit card number 203\*\*\*5183 (redacted). We further determined that Moroe’s monthly credit card limit was R100 000.00
- 5.14.5.2. Based on the review of Moroe’s credit card statements, we identified expenditure which appeared to be excessive (incurred between the period August 2017 to September 2019) to the value of R169 000.00 relating to the following transactions.
- 5.14.5.2.1. Entertainment;
- 5.14.5.2.2. Office Refreshments;
- 5.14.5.2.3. Office Deco Items; and
- 5.14.5.2.4. Various MSL Team Parties.

5.14.5.3. The table below reflect some of the transactions identified from a review of Moroe's credit card:

Date	Description	Amount	Comment	Approval
31-Aug-17	Hyatt Regent	3 290,00	No recon, slip attached, alcoholic beverages	Recon not attached
09-Oct-17	Hyatt Regency London	17 140,45	No documentation provided	
28-Dec-18	Coachman on the Bay	2 796,00	No recon or slip attached, email from Moroe to Sharla da Cruz reflect that the slip is missing	Recon not attached
31-May-18	The Butcher Shop & Grill	2 524,50	SACA MOU Dinner	Recon signed by Moroe
12-Jun-18	Woolworths Rosebank	3 458,88	Office refreshments	Recon signed by Moroe
12-Jun-18	Dis-Chem Rosebank	488,85	Office disposables	Recon signed by Moroe
12-Jun-18	At Home Rosebank	3 689,00	Office décor items	Recon signed by Moroe
13-Jun-18	Woolworths Sandton	1 118,19	Office refreshments	Recon signed by Moroe
11-Oct-18	Signature Restaurant	11 560,50	Recon reflects, entertainment Auditor's lunch, food and alcoholic beverages, tip R1000	Recon signed by Moroe
24-Nov-18	Cubaña	27 000,00	Recon reflects MSL Team Party, full slip not attached	Recon signed by Moroe



Date	Description	Amount	Comment	Approval
24-Nov-18	Cubaña	900,00	Recon reflects MSL Team Party, slip not attached	Recon signed by Moroe
08-Dec-18	Coco	28 000,00	Recon reflects entertainment - slip not attached	Recon signed by Moroe
17-Dec-18	Coco	22 080,00	Recon reflects MSL Final afterparty - slip reflects alcoholic beverages with a tip of R2365.80	Recon signed by Moroe
18-Feb-19	Woolworths	733,15	Recon does not provide description on what the purchase was in respect of. Slip attached and reflects EO refreshments. Email sent to Moroe by Sharla da Cruz relating to the outstanding slips for various expenses incurred in Nov, Dec 2018 and Jan 2019	Recon signed by Moroe
02-Aug-19	Altitude Restaurant	11 888,80	No documentation provided	
27-Sep-19	Woolworths	1 160,57	No documentation provided	
12-Jul-19	Kimpton Fitzroy London	27 997,78	Recon does not provide description of expenditure, 2 slips attached 1588.38 and 531.88 pounds. According to slips	Recon not signed

Date	Description	Amount	Comment	Approval
			expenditure includes accommodation and food.	
02-Mar-19	The address Dubai Mari896.20	3 472,18	Recon does not provide detail of transaction	Recon signed by Moroe

- 5.14.5.4. We noted that Moroe signed/approved reconciliation forms in respect of his credit card claims even though the reconciliation forms provided for the “Head of Department” to sign the said forms.
- 5.14.5.5. We further noted that in some instances, Moroe’s credit card claims were processed in the absence of supporting documents.
- 5.14.5.6. As the CEO of CSA, Moroe reported to the Board. It therefore follows that the Chairperson of the Board should have signed Moroe’s reconciliation forms. During our consultation with Nenzani, he confirmed that Moroe’s reconciliation forms should have been signed by him as the Chairperson of the Board. Nenzani however confirmed that he never signed Moroe’s reconciliation forms.
- 5.14.5.7. It is our understanding from consultations with Moseki that in the event that the Chairperson was not available to approve Moroe’s reconciliation forms, the CFO should have approved the said reconciliation forms.
- 5.14.5.8. We determined that Appiah and Nkuta were the CFO and Acting CFO during Moroe’s tenure as the CEO of CSA. We further determined that Moseki was appointed as the CFO of CSA in July 2019. We however noted that both Nkuta and Appiah did not sign Moroe’s reconciliation forms.
- 5.14.5.9. As indicated above, CSA does not have a credit card policy. During our consultation with Moseki, he indicated that currently all reconciliation forms in respect of the Acting CEO’s (Faul) credit card claims are authorized by the CFO on the strength of supporting documents for expenditure incurred.

#### 5.14.6. **CSA Board minutes of 7 September 2018**

- 5.14.6.1. During a review of the minutes of the Board meeting of 7 September 2018, we noted on the CEO’s report attached to the minutes that costs needed to be

contained without compromising on CSA's mandate.

5.14.6.2. We however noted from a review of credit card statements that even though Moroe committed to contain costs in support of Project 654, CSA Executives including Moroe continued to spend large amounts on entertainment.

5.14.6.3. We discuss below some of the credit card transactions processed on Moroe's credit card in respect of entertainment.

**5.14.7. Transaction of R27 000 and R900 at Cubaña**

5.14.7.1. Based on the review of Moroe's credit card statements, we identified two transactions in the amount of R27 000.00 and R900.00 charged on his credit card on 24 November 2018<sup>79</sup>. According to the credit card statement, the two transactions were processed at Cubaña in Port Elizabeth.

5.14.7.2. As indicated above, CSA hosted the 2018 MSL from 16 November 2018 to 16 December 2018

5.14.7.3. We determined that one of the MSL matches was held at St. Georges Park in Port Elizabeth on 23 November 2018. We noted from the MSL match schedule that the match was between Nelson Mandela Bay Giants and Durban Heat.

5.14.7.4. We determined that Moroe submitted a credit card claim in respect of a credit card statement dated 26 November 2018. According to the credit card statement, the total amount disbursed was R30 223.00. We noted that the amount of R30 223.00 included the two transactions in the amount of R27 000.00 and R900.00 processed at Cubaña.

5.14.7.5. Attached to Moroe's credit card claim was a reconciliation form dated 26 November 2018. According to the reconciliation form, the two transactions of R27 000.00 and R900.00 were for an MSL Team Party. We noted that Moroe did not attach full slips reflecting items purchased for the two transactions.

5.14.7.6. We further noted that the only slip attached to the reconciliation form was a "cashier slip" issued at Cubaña Port Elizabeth reflecting an amount of R27 000.00. There was no full or detailed slip reflecting what was purchased from Cubaña in the amount of R27 000.00 and R900.00.

5.14.7.7. We noted that Moroe signed the reconciliation form in respect of his credit card claim even though the reconciliation form provided for the Head of

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<sup>79</sup> Refer Exhibit 79

Department to sign the form.

5.14.7.8. We determined that on 17 April 2019, Sharla da Cruz (“Da Cruz”) prepared a purchase order in respect of Moroe’s credit card claim dated 26 November 2018. According to the purchase order, the Line Manager and Cost Centre Approver was reflected as Ruweida Kandan.

5.14.7.9. We noted that the credit card claim was processed without supporting documentation in respect of the two transactions of R27 000.00 and R900.00.

**5.14.8. Transactions of R28 000.00 and R22 080.00 at Coco**

5.14.8.1. We determined that Moroe submitted a credit card claim in respect of the credit card statement dated 27 December 2018. According to the statement, the total amount disbursed on Moroe’s credit card was R61 320.00.

5.14.8.2. Based on the review of Moroe’s credit card statement dated 27 December 2018, we identified *inter alia* two transactions in the amount of R28 000.00 and R22 080.00 from Coco, a restaurant in Cape Town<sup>80</sup>. The transactions of R28 000.00 and R22 080.00 were processed on 8 December 2018 and 17 December 2018 respectively. The two transactions of R28 000.00 and R22 080.00 are included in the amount of R61 320.00 disbursed on Moroe’s credit card.

5.14.8.3. Attached to Moroe’s credit card claim was a reconciliation form dated 27 December 2018. We noted that Moroe signed his own reconciliation form even though provision was made for the Head of Department to sign the form.

5.14.8.4. According to the reconciliation form, the transaction of R28 000.00 was referenced as “entertainment”. We noted that there was no slip attached in respect of the transaction of R28 000.00.

5.14.8.5. We determined from the MSL match schedule that one of the matches was held on 7 December 2018 at the Newlands Stadium in Cape Town.

5.14.8.6. According to the reconciliation form, the transaction of R22 080.00 was referenced as MSL final afterparty. We noted that the slip from Coco issued to Moroe was attached to the credit card claim. We further noted that the transaction of R22 080.00 was for alcoholic beverages.

5.14.8.7. As indicated above, the 2018 MSL was concluded on 16 December 2018.

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<sup>80</sup> Refer Exhibit 80

According to the MSL match schedule, the closing match was held at Newlands Stadium in Cape Town. The transaction of R22 080.00 was processed on Moroe's credit card on 17 December 2018 following the conclusion of the 2018 MSL.

5.14.8.8. We determined that on 17 April 2019, da Cruz prepared a purchase order in respect of Moroe's credit card claim dated 27 December 2018. According to the purchase order, the Line Manager and Cost Centre Approver was reflected as Ruweida Kandan. We noted the credit card claim was processed even though the slip for the transaction of R28 000.00 was not presented by Moroe.

**5.14.9. MSL 2018 Season**

5.14.9.1. We determined that the transactions discussed above were incurred during the 2018 MSL season. As indicated above, the 2018 MSL season commenced on 16 November 2018 and was concluded on 16 December 2018.

5.14.9.2. We were not provided with approved budget for entertainment in respect of the 2018 MSL season to support the expenditure incurred by Moroe.

**5.14.10. Allegations that CSA Corporate Credit Cards were used to fund Moroe's birthday party**

5.14.10.1. During the course of our investigations, we received allegations that Moroe and Appiah utilised CSA credit cards to fund Moroe's birthday party held in Cape Town in January 2019.

5.14.10.2. During a review of CSA credit card bank statements and supporting documentation, we identified a slip from Coco, a restaurant in Cape Town, with a transaction to the value of R28 039.50 dated 6 January 2019. We noted that the slip was issued to Moroe however there was no corresponding transaction on his credit card bank statement<sup>81</sup>.

5.14.10.3. Based on the background searches conducted on Moroe, we determined that his birth date is 5 January.

5.14.10.4. We determined that Moroe's birthday coincided with the 5-day test between South Africa and Pakistan held in Cape Town. The 5-day test was held at Newlands Stadium from 3 to 7 January 2019.

5.14.10.5. The R28 039.50 transaction was for alcoholic beverages purchased from a

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<sup>81</sup> Refer Exhibit 81

restaurant styled Coco. The amount of R28 039.50 included a tip of R3 115.50.

5.14.10.6. As stated above, there was no corresponding bank statement and reconciliation forms for Moroe in respect of the transaction of R28 039.50.

**5.14.11. Review of Appiah's credit card statements**

5.14.11.1. Based on the review of Appiah's credit card bank statements, we identified two transactions of R30 000.00 and R10 000.00 charged on his corporate credit card on 6 January 2019 from Coco<sup>82</sup>.

5.14.11.2. The slip for the transaction of R28 039,50 issued to Moroe was attached to Appiah's submission in support of the R30 000.00 credit card transaction.

5.14.11.3. We were not provided with supporting documentation in respect of Appiah's R10 000.00 credit card transaction.

5.14.11.4. We were further not provided with reconciliation forms in respect of Appiah's R30 000.00 and R10 000.00 credit card transactions.

**5.14.12. Review of Nkuta's credit card statement**

5.14.12.1. We identified a further transaction of R10 000.00 charged on Nkuta's corporate credit card statement. The transaction of R10 000.00 was processed on 6 January 2019 at Coco<sup>83</sup>.

5.14.12.2. We noted from the review of the reconciliation form submitted by Nkuta that she referenced the transaction as "Entertainment". The reconciliation form submitted by Nkuta was not signed or approved by the Departmental Head. There were no supporting documents or slips attached to the reconciliation form for the transaction of R10 000.00.

5.14.12.3. The credit card transactions totaling R50 000.00 charged on Appiah and Nkuta's CSA credit cards on 6 January 2019 and the lack of documentation relating to the credit card claims submitted by them, may confirm the allegation that CSA's credit cards were utilised to fund Moroe's birthday party.

5.14.12.4. Nenzani indicated that in his view, it was not appropriate to spend R50 000.00 on corporate credit cards at a restaurant/nightclub on alcohol.

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<sup>82</sup> Refer Exhibit 82

<sup>83</sup> Refer Exhibit 83

- 5.14.12.5. Khan indicated that it was totally inappropriate and a mere irresponsible abuse of power and office to spend R50 000.00 on corporate credit cards at a restaurant/nightclub on alcohol.
- 5.14.12.6. We determined that Nkuta was summarily dismissed from CSA for misconduct. We attempted to call Nkuta in order to consult with her relating to the above transactions however she did not answer or return our calls.
- 5.14.12.7. As indicated above, we requested to consult with Appiah however he indicated that he could not consult with us due to contractual disputes with CSA.
- 5.14.12.8. During our consultation with Eksteen, he indicated that he was one of the CSA officials who attended the 5-day test held in Cape Town from 3 to 7 January 2019. Eksteen further stated that Moroe was hosted on 5 January 2019 at the Newlands Stadium and presented with a cake in celebration of his birthday.
- 5.14.12.9. Eksteen indicated that he left Cape Town on 6 January 2018 and therefore was not aware of any celebration that took place on the day.
- 5.14.12.10. We were provided with Moroe’s leave details and noted that he took leave on the following days:

Description	From	To	No. of days
Annual	21/12/2018	24/12/2018	2
Acc Leave	15/04/2019	17/04/2019	3
Acc Leave	01/10/2019	04/10/2019	4

- 5.14.12.11. Based on the review of Moroe’ bank statements, we did not find any instances where Moroe used his credit card whilst he was on leave.
- 5.14.12.12. CSA did not have a Credit Card Policy at the time that Moroe was appointed as the CEO. As the CEO of CSA, Moroe failed to ensure that CSA had an approved Credit Card Policy resulting in the inappropriate use of CSA’s funds.

**5.14.13. Transactions without supporting documents**

- 5.14.13.1. We noted various credit card transactions processed without supporting documents and or reconciliation forms. The said transactions are discussed below.

### **Response from Masubelele**

- 5.14.13.2. We identified transaction totalling R128 503.40 processed on Masubelele's credit card during the period 2016 to 2020. The said transactions did not have supporting documentation or reconciliation forms for credit card claims. The transactions related to *inter alia* purchases from Clicks, Makro and Dis-Chem. We noted that the amount of R128 503.40 also included a transaction of R77 684.74 processed at the Hilton Hotel.
- 5.14.13.3. Masubelele *inter alia* indicated that Departmental Head and Finance manager approved transactions without supporting documentation and reconciliation forms based on an email or written note on expense related costs. We were however not provided with emails authorizing payment of Masubelele's expenses without supporting documents. Masubelele further indicated that he would be away with the Team for over a month or so and only submit the original/physical slips at the end of the tour.

### **Response from Jordaan**

- 5.14.13.4. We identified transactions totalling R122 236.49 processed on Jordaan's credit card for the period March 2017 to October 2019. We noted that the said transactions either did not have supporting documents or completed reconciliation forms.
- 5.14.13.5. We noted from the review of the bank statement that the transactions related to entertainment to the value of R39 786.69 and clothing items purchased from New Balance for an amount of R62 320. Other transactions related to gifts, donations and other items to the value of R20 129.00
- 5.14.13.6. We requested Jordaan to provide comments and supporting documents relating to the said transactions.
- 5.14.13.7. Jordaan indicated that the transactions were in respect of the National Transformation Indaba, EPG workshop and training as well as staff attire purchased outside VIK.
- 5.14.13.8. Jordaan provided us with approved budgets for the Transformation department in respect of the following periods:
- 5.14.13.8.1. 2017/2018 – R4 900 000 (R120 000 – entertainment);
- 5.14.13.8.2. 2018/2019 – R5 318 000 (R120 000 – entertainment); and



5.14.13.8.3. 2019/2020 – R7 038 000 (R100 000 – entertainment).

5.14.13.9. We noted that during 2019/2020 financial year, the budget for entertainment was exceeded by R273 858.58.

5.14.13.10. As indicated above, we were not provided with reconciliation forms relating to transactions processed on Jordaan's credit card.

5.14.13.11. We noted that although there was an overall budget for the Transformation department in respect of entertainment and other transactions, purchases processed on Jordaan's credit card were not approved by his Line Manager/Executive.

5.14.13.12. We noted a transaction processed on Jordaan's credit card in the amount of R2 785.59. The said transaction was processed at Woolworths in respect of various food items. We further noted that Jordaan referenced the transaction as snacks for the office.

5.14.13.13. The use of corporate credit cards for purchases of office groceries and other day to day items may result in abuse by the respective staff members as there are no controls in place to verify that the items purchased on the said card were for the office.

#### **Response from Barnes**

5.14.13.14. We noted a transaction of R18 463 processed on 20 July 2016 on Barnes's credit card. According to the bank statements, the transaction was processed at Woolworths. We were not provided with supporting documentation or a reconciliation form in respect of this transaction.

5.14.13.15. Barnes indicated that the transaction was for the purchase of formal pants for players and Management.

5.14.13.16. The purchase of clothing was not in line with CSA procurement policies.

#### **Response from Adams**

5.14.13.17. We noted two transactions totalling R7 000.00 processed on Adam's credit card. The said transactions were processed on 26 November 2019 at Woolworths (R6 300) and Foschini (R700) respectively.

5.14.13.18. We were not provided with supporting documentation in respect of the two transactions.

5.14.13.19. Adams indicated that the two transactions were for CSA event staff hospitality

clothing for the season as there was no budget assigned for the clothing.

5.14.13.20. The purchase of the clothing was not in line with CSA procurement policies.

**Response from Da Cruz**

5.14.13.21. We provided Da Cruz with a list of transactions referenced as Farewell gifts. We identified inconsistencies in the amounts spent on farewell gifts for the respective CSA officials. We requested Da Cruz to provide us with comments related to the said transactions.

5.14.13.22. The transactions included the following:

Date	Description	Amount	Comment
16-Sep-15	Mont Blanc Boutique	4 200,00	Yolandi Jukes Farewell Gift
16-Sep-15	Karen Millen Sandton	2 100,00	Amanda Fleming Farewell Gift

5.14.13.23. Da Cruz indicated that she was requested to use CSA credit card to purchase the gifts on behalf of CSA for the farewell of the individuals up to R4 500 each. Da Cruz indicated that the pen was the allocated amount however the handbag for Amanda Fleming was less. According to Da Cruz, Amanda Fleming was also given an office portrait which would have equaled/equated the full amount (R4 500 per person).

5.14.13.24. DA Cruz indicated that Executive Office Budget has a line item and approved budget of R30 000.00 for Gifts/Donations for the year.

**Response from Van Zyl**

5.14.13.25. We noted transactions on Van Zyl’s credit card that were not supported by documents and or reconciliation forms.

5.14.13.26. We further noted that in most instances, Van Zyl approved/signed his own reconciliation forms in respect of his credit card claims.

5.14.13.27. Van Zyl indicated inter alia that all supporting documents and reconciliation forms were at COE office, however he could not access the said documents

due to the Nationwide lockdown.

5.14.13.28. Van Zyl further stated that as the GM of Cricket and Department Head at the time, he signed the reconciliation forms believing that this was the correct way to do it.

5.14.13.29. Van Zyl further stated that he submitted all receipts to Finance where he assumed that the CFO would approve and sign off. According to Van Zyl, this process was never questioned by Finance.

5.14.13.30. We noted the following transactions processed on Van Zyl’s credit card at iStore during 2017:

Date	Description	Amount
6 August 2017	iStore	21 999.00
7 November 2017	iStore	19 999.00
9 December 2017	iStore	1 488.00

5.14.13.31. Van Zyl indicated that in respect of the transaction of R21 999.00 *“IT instructed me because I was working with an Mac that I bought it with me credit card”*. Van Zyl did not provide us with the instruction from IT for the purchase of the MacBook in the amount of R21 999.00.

5.14.13.32. Van Zyl further stated that purchase of the MacBook in November 2017 was *“Replacement for the previous Mac as it was lost on a flight to Cape Town. I reported it to Procurement Manager, who put in a claim and then asked me to purchase the replacement from my credit card”*.

5.14.13.33. We were not provided with confirmation that there was an insurance claim processed for the said MacBook.

5.14.13.34. Van Zyl stated that the transaction of R1 488.00 related to the purchase of the mouse for the MacBook.

5.14.13.35. As discussed below, paragraph 3.1.1. of the CSA procurement policy requires that procurement of certain goods and services including IT equipment be done centrally.

5.14.13.36. Procurement of the three items reflected above was not in line with the CSA procurement policy.

### Response from Gajjar

5.14.13.37. We provided Gajjar with a list of transactions identified from his credit card statement. We noted that the said transactions were not supported by documentation. Gajjar provided with comments (as reflected in the table below) relating to the said transactions.

Employee	Date	Description	Amount	Gajjar's comments
M Gajjar	25-May-16	Godfather Restaurant	7 957,20	Curators farewell supper - receipt was attached
M Gajjar	17-Jun-16	Fishmonger Illovo	7 967,50	Australia Recce Party Supper - receipt was attached
M Gajjar	18-Jun-16	Tashas Le Parc	2 280,00	Australia Recce Party Breakfast - receipt was attached
M Gajjar	23-Jun-16	Thava Group	2 877,00	Description on Recon
M Gajjar	07-Jul-16	Takealot	3 198,00	Description on Recon
M Gajjar	13-Jul-16	Grazia S Fine Food	1 815,90	Description on Recon
M Gajjar	31-Jul-16	Incredible Sandton	1 599,00	TB hard Drives for NZ Tour S/Sport match back-ups
M Gajjar	10-Aug-16	Hifi Corporation	6 871,00	Kettles for Office receipt was attached
M Gajjar	18-Aug-16	Incredible Gate Way	4 396,00	IT Supplies NZ Tour - Scorers receipt was attached

Employee	Date	Description	Amount	Gajjar's comments
M Gajjar	19-Aug-16	Ocean Terrace Restaurant	2 570,00	Supper with ICC Officials NZ Tour receipt was attached
M Gajjar	23-Sep-16	Vodacom Cresta	2 000,00	Data for Mobile Phones - Ticket Access to PMOA Tracking -receipt was attached
M Gajjar	04-Oct-16	Willoughby and Co	1 152,00	Supper with Sivu, Louis & MG - receipt was attached
M Gajjar	05-Oct-16	iStore Gateway	1 198,00	Cables & Charger - receipt was attached
M Gajjar	11-Oct-16	Cellucity V/A Waterfront	2 794,00	Data Top-Up Match Referee - receipt was attached
M Gajjar	15-Oct-16	Takealot	3 996,00	Flashlight - National Team, Arrie, SLO, MG - receipt was attached
M Gajjar	06-May-18	Cell C Cresta	1 999,00	Data for 4g Router MG - receipt was attached
M Gajjar	22-May-18	Thava Group	9 000,00	Farewell supper Curators Conference - slip not clear - slip is obviously faded by this time

Employee	Date	Description	Amount	Gajjar's comments
M Gajjar	23-May-19	Takealot	1 499,00	Emergency Light - returned for credit note. Not suitable
M Gajjar	24-May-19	Makro Woodmead	849,00	USB - C to HDMI Converter - Kugandrie. (Given to IT)
M Gajjar	24-May-19	Incredible Connection	799,00	USB - C to HDMI Converter - Mike
M Gajjar	23-Sep-19	The Ritz Carlton	5 355,90	Accommodation in Bangaluru India vs South Africa T20 and BCCI Meetings

### Response from Eksteen

5.14.13.38. We provided Eksteen with a list of transactions identified from his bank statement that either were not supported by documentation or appeared to be excessive. Eksteen provided comments relating to the transactions as reflected in the comments column in the table below:

Date	Description	Amount	Comment
19-Nov-16	Cubaña Latino	3 900,00	Evening with Lagardère
20-Dec-16	Chicken Licken The Zone	81,90	Staff meals at the office
20-Dec-16	Chicken Licken The Zone	163,80	Staff meals at the office
22-Dec-16	Nando's The Zone	1 454,80	Staff meals at the office

Date	Description	Amount	Comment
13-Feb-17	NetFlorist	3 691,42	Valentines gifts for the office ladies
25-Apr-17	Turn N Tender Nicolw	6 465,00	Meeting with KFC for end of season
06-Sep-17	Zimbali Country Club	3 746,00	Drinks at CEC meeting
10-May-18	The Local Grill	5 262,00	Dinner with Thabang and Naasei at the request of the CEO
10-May-18	Baby City	2 499,99	Gift from the department for Kimberly. birth of her son
18-May-18	New balance	4 650,10	Bought 20 replica shirts at NB because we did not have any left in CSA stock. The shirts were part of a campaign for the winners of the Sunfoil player cards.
18-May-18	New balance	8 635,90	As above
22-Jun-18	Takealot	1 765,00	Gift for Andra Nel @ GCB
25-Sep-18	Watch Republic - Fossil	27 845,00	HR Requested to use my card to purchase watches for long service awards -

Date	Description	Amount	Comment
08-Nov-18	H&M Rosebank	7 608,00	Clothing for the hospitality ladies in the suite
08-Nov-18	Foschini	1 694,00	Clothing for the hospitality ladies in the suite
25-Aug-19	Big Blue Cresta	2 500,00	Gifts for room drops for partners at partners forum slip attached
28-Oct-19	Watch Republic - Fossil	20 974,60	HR Requested to use my card to purchase watches for long service awards
06-Sep-18	AV Future	27 384,72	Request from IT to use my card to purchase laptop for Mr Nenzani -

5.14.13.39. We noted that some of the transactions related to procurement of clothing and IT equipment. We further noted that transactions relating to the procurement of IT Equipment and clothing was not in line with CSA procurement policies.

#### **Response from Gubevu**

5.14.13.40. We provided Gubevu with a list of transactions identified on his credit card statement and requested comments and or supporting documentation relating to transactions that were not supported by documents.

5.14.13.41. We categorised the transactions and Gubevu provided the following comments:

#### **Unisa - (R24 850)**

5.14.13.41.1. The Unisa transactions were processed with a credit card as they



were online registrations which needed a credit card payment;

5.14.13.41.2. The transactions were pre-approved as they form part of the approved training and development budget.

5.14.13.41.3. Employee concerned applied for a bursary; and

5.14.13.41.4. The payments were made in line with the HR policy

**Staff wellness transactions (R33 570.30)**

5.14.13.41.5. CSA does not have a Staff Wellness Policy;

5.14.13.41.6. There was a pre-approved budget for transactions relating to staff wellness (a department gets allocated a budget which is split to department's needs); and

5.14.13.41.7. CSA budgeted an overall amount for annual staff events/occasions and staff wellness is one of the said events.

**Sorbet Transactions (R64 000)**

5.14.13.41.8. There was a pre-approved budget for transactions processed at Sorbet; (a department gets allocated an overall budget which is then split to department's needs);

5.14.13.41.9. (Mother's day and Father's day events) were inherited from the Communications Department; and

5.14.13.41.10. Approvals were as per approval cycle on Fraxion.

**Staff Baby Showers (R10 000)**

5.14.13.41.11. We identified inconsistencies in the amounts spent for the baby showers. R2 500 was spent on each staff member who had a baby during the year. R5 000 showing on one of the credit card statements was for 2 employees;

5.14.13.41.12. Gubevu indicated that CSA had a budget for staff baby showers;

5.14.13.41.13. CSA budgeted an overall amount for annual staff events/occasions, with R2 500 being the amount for each staff member; and

5.14.13.41.14. Staff Baby showers is included in the overall staff events/occasions budget – which is part of the overall HR budget.

**Staff year end (R18 921.60)**

5.14.13.41.15. Department gets allocated an overall budget which is then split to department's needs). Year-end function used to be budgeted by the CEOs office in prior years;

5.14.13.41.16. CSA budgeted an overall amount for annual staff events/occasions and year end function is one of the events;

5.14.13.41.17. In the prior years, the year-end functions were planned and executed by the CEOs office. Approvals were as per approval cycle on Fraxion; and

5.14.13.41.18. There is no guideline relating to expenditure on alcohol.

**5.14.14. Transactions in respect of day to day expenditure (groceries)**

**Response from Khoza**

5.14.14.1. We identified various transactions processed at retail stores including Makro, SuperSpar, Woolworths and PnP. The said transactions totalling R47 807.54 were processed on Khoza's corporate card between the period May 2016 to March 2019.

5.14.14.2. We noted that of the transactions of R47 807.54, transactions totalling R19 563.33 were not supported by reconciliation forms and therefore there was no evidence that the transactions were approved by the Department Head.

5.14.14.3. Khoza indicated that the transactions totalling R47 807.54 were processed against the Centre of Excellence ("COE") groceries budget. He further stated that all transactions processed on his credit card were accompanied by a signed reconciliation form. We were however not provided with the said reconciliation forms.

5.14.14.4. The use of corporate credit card for purchases of office groceries may result in abuse by the respective staff members as there are no controls in place to verify that the groceries purchased on the said card were for the office.

5.14.14.5. Procurement of goods and services should be centralised and in line with the CSA SCM policies.

**Response from Moseki**

5.14.14.6. Moseki indicated that the credit card issued to him is used as the corporate

credit card for IT, Office supplies and other purchases.

5.14.14.7. Based on the review of Moseki's credit card statement, we noted the following transactions processed on his credit card:

Date	Description	Amount	Comment	Approval
10-Sep-19	Makro Woodmead	1 889,00	Mini Fridge - office	Budget line - PPE
03-Oct-19	Sandton Sun San Bar	9 500,00	Multiple meetings on the day: > MSL potential sponsors/ship meetings - Tsogo Sun (accompanied by COO, Michele, Mike) > MSL potential sponsors/ship meetings - Agency (accompanied by COO) > Government Stakeholder Engagements - Government officials, including MEC (Accompanied by CEO, COO, Unathi)	Budget line - Stakeholder engagements /entertainment
20-Dec-19	Makro Woodmead	3 048,00	Office Year-end Function	Budget line - HR events
03-Feb-20	Makro Woodmead	7 127,00	Office consumables - refreshments, cleaning supplies, etc.	Budget line - Office Consumables

5.14.14.8. Although there may have been approved budgets for some of the transactions processed on the corporate credit cards, the use of credit cards for day to day

operations of CSA could expose the organisation to risk as well as abuse of the said credit cards.

#### 5.14.15. Procurement of IT equipment

5.14.15.1. Paragraph 3.1.1 of CSA's Procurement Policy and Procedures dated 21 January 2012 provides that:

*"Due to the nature of CSA's business and to achieve efficiencies and/or gain economies of scale, certain goods and services should be procured centrally, for example:*

- *Stationery and printing for Events; tour brochures; publications; business cards, diaries, calendars; etc*
- *IT equipment (i.e. Laptops, desktops, cellphones, etc)*
- *Cricket Equipment (e.g. ball, bats, pads, stumps, helmets, etc)*
- *Clothing (formal, casual and sport apparel excluding national team apparel)*
- *Insurance (rain, property, transport, travel, liability and medical insurance)*
- *Please note that this list is exhaustive."*

5.14.15.2. During a review of CSA credit card bank statements, we identified various transactions relating to the procurement of IT equipment. The said transactions included the following:

Employee	Date	Statement date	Description	Amount
EH Vorster	31-Aug-15	26-Sep-15	Incredible Cresta	1 000,00
EH Vorster	03-May-16	26-May-16	Incredible Rosebank	1 253,00
E Khoza	19-Jun-16	27-Jun-16	Dion Wired The Grove	2 710,00
CJPG Van Zyl	15-Jun-16	27-Jun-16	Dell product	1 458,05
M Gajjar	31-Jul-16	26-Aug-16	Incredible Sandton	1 599,00
M Gajjar	18-Aug-16	26-Aug-16	Incredible Gate Way	4 396,00
KH Hurter	11-Aug-16	26-Aug-16	iStore Menlyn	1 738,00

<b>Employee</b>	<b>Date</b>	<b>Statement date</b>	<b>Description</b>	<b>Amount</b>
M Gajjar	05-Oct-16	26-Oct-16	iStore Gateway	1 198,00
K Masubelele	14-Oct-16	26-Oct-16	Incredible Centurion	2 999,00
LJ Cole	21-Oct-16	26-Oct-16	Dion Wired Cresta	1 710,00
MD Schmidt	31-Oct-16	26-Nov-16	Dion wired	29 990,00
OB Appiah	20-Jan-17	26-Jan-17	Incredible Rosebank	29 999,00
MAS Moosajee	17-Jan-17	26-Jan-17	iStore Sandton	25 498,00
EH Vorster	10-Feb-17	27-Feb-17	Incredible Clearwater	2 447,00
EH Vorster	21-Feb-17	27-Feb-17	iStore Cresta	20 628,00
MA Jordaan	19-Mar-17	27-Mar-17	HP Store Menlyn	1 148,00
EH Vorster	01-Mar-17	27-Mar-17	Incredible Cresta	31 447,00
EH Vorster	06-Apr-17	26-Apr-17	Dion wired	199,00
EH Vorster	06-Apr-17	26-Apr-17	Incredible Cresta	3 146,00
EH Vorster	08-Apr-17	26-Apr-17	Dell product	5 516,07
LL Maja	03-Apr-17	26-Apr-17	Dion Wired	599,00
EH Vorster	08-May-17	26-May-17	iStore Sandton	34 599,00
EH Vorster	17-May-17	26-May-17	Incredible Rosebank	549,00
E Khoza	01-Oct-17	26-Oct-17	Dion Wired The Grove	2 798,00
EH Vorster	25-Oct-17	27-Nov-17	Incredible Rosebank	1 194,00

<b>Employee</b>	<b>Date</b>	<b>Statement date</b>	<b>Description</b>	<b>Amount</b>
EH Vorster	14-Nov-17	27-Nov-17	Incredible Rosebank	6 998,00
CJPG Van Zyl	07-Nov-17	27-Nov-17	iStore Sandton	19 999,00
NP Momberg	31-Jan-18	26-Feb-18	Incredible connection Cresta	1 899,00
MD Mokopanele	26-Jan-18	26-Feb-18	Incredible Connection Northgate	1 998,00
MA Jordaan	11-Apr-18	26-Apr-18	Dion Wired	5 668,00
MZ Zondi	27-Jun-18	26-Jul-18	Incredible Rosebank	1 399,00
CE Eksteen	24-Jul-18	26-Jul-18	iStore Sandton	1 399,00
PC Kambarami	31-Jul-18	26-Aug-18	Incredible Connection	2 718,00
TMN Gubevu	26-Jul-18	26-Aug-18	Incredible Connection	3 447,00
EH Vorster	02-Aug-18	26-Aug-18	Incredible Connection	2 236,00
EH Vorster	26-Sep-18	26-Oct-18	Incredible Connection	5 364,00
EH Vorster	16-Oct-18	26-Oct-18	Incredible Connection	1 299,00
KT Gaofetoge	20-Nov-18	26-Nov-18	Incredible connection	2 399,00
E Khoza	31-Dec-19	26-Jan-19	Incredible connection	1 699,00

Employee	Date	Statement date	Description	Amount
EH Vorster	04-Apr-19	26-Apr-19	Incredible Connection	1 066,00
EH Vorster	15-Apr-19	26-Apr-19	Incredible connection	11 596,00
M Gajjar	24-May-19	27-May-19	Incredible Connection	799,00
EH Vorster	04-Sep-19	26-Sep-19	Incredible connection	1 299,00
LJ Cole	16-Oct-19	26-Oct-19	Incredible Connection	1 136,00
CJPG Van Zyl	06-Aug-17	26-Aug-17	iStore Woodlands	21 999,00
CJPG Van Zyl	09-Dec-17	27-Dec-17	iStore Woodlands	1 488,00

5.14.15.3. Vorster indicated the following relating to the procurement of IT Equipment:

*“Majority of office equipment are bought through the normal procurement process, but with IT there are sometimes anomalies...*

*Equipment that can’t be supplied through vendors due to timeframes, specifications or availability.*

*Software & Equipment that can only be procured online / abroad.*

*Equipment that are needed within the operational environment of IT (usually needed immediately).*

*Adapters, Cables, multiplug adapters that are needed to present in boardrooms.*

*minor equipment like mice, USB storage devices etc”.*

5.14.15.4. Vorster further stated that each credit card statement with transactions go through CSA’s Fraxion system for online approval by:

5.14.15.4.1. Line Manager;

5.14.15.4.2. Cost Centre approver; and

## 5.14.15.4.3. Finance Review Approver.

5.14.15.5. According to Vorster, the IT Department have an additional approval process prior to each purchase thus major capital items are approved prior (Equipment Motivation Form) and after (Online system -Fraxion) purchase.

5.14.15.6. We however noted that some of the procurement related to IT equipment was processed from individual's corporate credit cards and not through the IT departments.

5.14.16. **Purchases of clothing items from New Balance**

5.14.16.1. According to paragraph 3.1.2 of the Procurement Policy and Procedures, National team apparel (sponsored) is procured centrally through the Travel and Logistics Manager. All non-sponsored items go through the standard procurement process.

5.14.16.2. We identified various instances wherein CSA employees procured clothing items from New Balance using CSA corporate credit cards. Apart from the receipts issued by New Balance at the point of sale, we were not provided with any "standard procurement processes" followed by CSA to procure the said clothing items.

5.14.16.3. Below is a summary of purchases made by CSA employees from New Balance:

Employee	Date	Statement date	Description	Amount
M Gajjar	04-Sep-15	26-Sep-15	New Balance Bardene	2 696,00
CJPG Van Zyl	09-Jun-15	26-Jun-15	New Balance Menlo Park	19 196,80
CJPG Van Zyl	17-Jun-15	26-Jun-15	New Balance Menlo Park	15 298,80
K Masubelele	12-Jan-18	26-Jan-18	New balance	400,00
MA Jordaan	10-Apr-18	26-Apr-18	New balance	7 694,40
MA Jordaan	10-Apr-18	26-Apr-18	New balance	30 240,00
CE Eksteen	18-May-18	26-May-18	New balance	4 650,10
CE Eksteen	18-May-18	26-May-18	New balance	8 635,90



Employee	Date	Statement date	Description	Amount
TMN Gubevu	20-Jul-18	26-Jul-18	New balance	7 342,30
MZ Zondi	19-Oct-18	26-Oct-18	New balance	140,00
MZ Zondi	19-Oct-18	26-Oct-18	New balance	2 937,20
LL Maja	26-Sep-18	26-Oct-18	New balance	3 847,90
MD Mokopanele	10-Apr-19	26-Apr-19	New balance	20 076,00
MD Mokopanele	10-Apr-19	26-Apr-19	New balance	20 076,00
MD Mokopanele	16-Apr-19	26-Apr-19	New balance	1 677,90
OD Sepeng	30-Jun-19	26-Jul-19	New balance	3 148,60
OD Sepeng	05-Jul-19	26-Jul-19	New balance	20 565,30
OD Sepeng	07-Jul-19	26-Jul-19	New balance	3 810,80
MG Mathe	19-Oct-19	26-Nov-19	New balance	19 308,00
MA Jordaan	24-Oct-18	26-Oct-18	New Balance	15 386,70
<b>Total</b>				<b>207 128,70</b>

5.14.16.4. As indicated above, CSA did not keep a register of items distributed to staff members in respect of the sponsorship agreement with New Balance. It is our understanding that items/transactions reflected in the table above were purchased outside the sponsorship agreement with New Balance. We were not provided with documentation relating to how the items reflected in the table above were distributed to the staff members and or stakeholders.

5.14.16.5. We were therefore unable to confirm whether the clothing was distributed to the intended recipient.

## CONCLUSIONS RELATING CREDIT CARD TRANSACTIONS

Based on the review of documentation and consultation with CSA officials we conclude as follows:

- 5.14.16.6. CSA did not have a Credit Card Policy at the time that Moroe was appointed as the CEO.
- 5.14.16.7. As the CEO of CSA, Moroe failed to ensure that CSA had an approved Credit Card Policy in terms of clause 4.4.4 of his contract of employment resulting in the inappropriate use of CSA's funds;
- 5.14.16.8. CSA has been issuing credit cards to staff for years without there being a policy that provides guidance on the use of the credit cards;
- 5.14.16.9. There appears to be excessive or irregular expenditure on alcohol by some of the CSA employees including Appiah and Moroe;
- 5.14.16.10. We confirmed transactions relating to the purchase of alcohol totalling R201 372.80 and R64 830.50 for Appiah and Moroe respectively;
- 5.14.16.11. In some instances CSA employees did not complete a reconciliation forms or the reconciliation forms were not signed by the Head of Department;
- 5.14.16.12. Some of the transactions did not have supporting documents;
- 5.14.16.13. Procurement of goods and services particularly IT Equipment, Office Stationery and clothing items were not in line with the CSA SCM policy and procedures;
- 5.14.16.14. The use of corporate credit cards for day to day operation may result in abuse by the respective staff members as there are no controls in place to verify that the items purchased on the said cards were CSA related;
- 5.14.16.15. Clothing items purchased from New Balance to the value of R207 128,70 were not purchased through the standard procurement process as provided for in the paragraph 3.1.2 of the CSA Procurement Policy;
- 5.14.16.16. Procurement of IT equipment was not done centrally as provided for in paragraph 3.1.1 of the CSA Procurement Policy; and
- 5.14.16.17. Although there may have been approved budgets for some of the transactions processed on the corporate credit cards, the use of credit cards for day to day operational expenditure of the CSA could expose the organisation to risk as well as abuse of the said credit cards.

## **RECOMMENDATION RELATING TO CREDIT CARD TRANSACTIONS**

Based on the findings discussed above, we recommend that CSA considers the following:

5.14.16.18. Approve a detailed Credit Card Policy;

5.14.16.19. Provide guidelines relating to expenditure on alcohol in terms of the approved Credit Card Policy;

5.14.16.20. Provide guidelines relating to the use of credit cards for travelling expenses in terms of the approved Credit Card Policy;

5.14.16.21. Limit allocation of credit cards to the CEO and CFO;

5.14.16.22. Centralise procurement of goods and services as provided for in the SCM policy;

5.14.16.23. Keep a register of all clothing items distributed to CSA staff and Stakeholders to ensure that the items are distributed to the correct recipients; and

5.14.16.24. Institute disciplinary action against Moroe for failure to ensure that CSA has an approved Credit Card Policy resulting in the inappropriate use of CSA's funds.

### **5.15. APPOINTMENT OF THABANG MOROE AS CSA CEO**

5.15.1. Moroe was appointed Acting CSA CEO in September 2017, following the resignation of Haroon Lorgat. Based on the review of documentation provided to us, we determined that CSA embarked on a recruitment process to fill the vacancy created by Lorgat's departure.

5.15.2. We were provided with a role and job profile for the position of CSA CEO. According to the role and job profile document provided to us, the role of the CEO was as follows:

*"The ultimate strategist and executive custodian of all matters cricket in South Africa, from the professional levels through to grassroots level development with a clear focus on the ongoing growth and transformation of the game in the long term and in a sustainable manner. C-suite leader internally and most visible public face of Cricket South Africa externally.*

5.15.3. According to the role and job profile provided to us, the required education level was any postgraduate qualification. The role and job profile further indicated that no less than ten (10) years working experience as an executive in a medium sized organization, with prior CEO or similar role being a distinct advantage. Any further executive sporting role is also an advantage.

5.15.4. We noted, however, that according to the advert for the position of CEO, the minimum qualification was indicated as a Bachelor of Business Administration or equivalent (including prior learning). The advert further provided that a minimum of 8 years Executive Management experience in a Business, Cricket or Commercial Entity as well as good conceptual understanding of key issues in local and global sport environment would be ideal. The closing date of the advert was 26 June 2018.

5.15.5. **Candidates shortlisted**

5.15.5.1. Based on the review of documentation provided to us, we determined that CSA received thirty-four (34) individual Curriculum Vitae (“CV”) and one CV from an agency. Moroe’s CV was amongst the applications received for the position of CSA CEO.

5.15.5.2. We determined that eight (8) individuals were shortlisted from a list of thirty five (35) individuals. The short-listed individuals were as follows:

5.15.5.2.1. Thabang Moroe;

5.15.5.2.2. Maxwell Jordaan;

5.15.5.2.3. Dr MG Nkagisang;

5.15.5.2.4. Steven Jowell;

5.15.5.2.5. Trevor Govender;

5.15.5.2.6. Udesch Pillay;

5.15.5.2.7. Barri Maggot; and

5.15.5.2.8. Sugan Pillay

5.15.5.3. The following comments were made on the shortlist schedule recommending Moroe for interview:

*“Thabang is currently serving as Acting Chief Executive for Cricket South Africa. In fairness to this candidate it is recommended that he is afforded an interview. The Committee will have an opportunity to compare him to external and perhaps internal candidates who are recommended for this shortlist. His motivation letter also speaks volumes to accomplishments in this short period serving as Acting CE. Whilst the recommendation is not based on a “courtesy interview” nor will it give the candidate an unfair advantage, it will be fair and ethical to put him forward as a shortlisted candidate given he was entrusted to be an Acting CE in critical time for CSA. He grew up in the cricket system and therefore, understands cricket well. Whilst Thabang*

*may lack in his tertiary background, his experience and growth in the cricket system as mentioned in his resume is impressive.*

- 5.15.5.4. During our consultation with Moon, she indicated that based on the minimum requirements of the CSA CE position, Moroe did not qualify to be shortlisted for the position.
- 5.15.5.5. On 9 July 2018, Gubevu indicated that four candidates were shortlisted for interviews which were to be held on 13 July 2018. The candidates were shortlisted based on the interview panel/ committee as follows:

<b>Thando Ganda</b>	<b>Iqbal Khan</b>	<b>Dawn Mokhobo</b>	<b>Louis Von Zeuner</b>	<b>Beresford Williams</b>
Thabang Moroe	Thabang Moroe	Thabang Moroe	Thabang Moroe	Thabang Moroe
Dr. Oupa Nkagisang	Dr. Oupa Nkagisang	Dr. Oupa Nkagisang	Dr. Oupa Nkagisang	Dr. Oupa Nkagisang
Maxwell Jordaan	Maxwell Jordaan	Maxwell Jordaan	Maxwell Jordaan	Maxwell Jordaan
Prof. Trevor Govender	Prof. Trevor Govender	Prof. Trevor Govender	Prof. Trevor Govender	Prof. Trevor Govender
Barrie Maggot	Gary Steyn			

- 5.15.5.6. Khan indicated that the table above is out of context as he was the only one who had Dr Nkagisang as his first choice and Moroe as his second choice. Khan further indicated that in the interest of democracy, he conceded to the majority view.

We reviewed the CV's of the above candidates to determine whether the candidates met the minimum requirements for the position of CEO as advertised. As indicated the role and job profile provided to us required a minimum of a post-graduate qualification whereas the advert required a minimum of a Bachelor of Administration or equivalent (including recognition of prior learning).

- 5.15.5.7. We determined based on their CV's and qualifications attached to their applications that the four shortlisted candidates had the following credentials:

NAME & SURNAME	QUALIFICATIONS
Thabang Moroe	Matric – (2001) Electrical Engineering (N4) - 2004 Project Management – 2017
Maxwell Jordaan	Secondary Teachers Diploma Baccalaureus Artium Management Advanced Programme Mastery in Leadership Certificate in Dispute Resolutions in Sports
Dr. MG Nkagisang	Secondary Teachers Diploma Higher Diploma Sports Science Diploma in Sports Management Bachelor of Arts (BA) B Ed Hons Master of Arts Ph.D.
Trevor Govender	B.Comm B.Min MBA Ph.D. – Doctorate in Business Administration PGCE – FET & Senior Phase

5.15.5.8. Based on the above table, Moroe did not have a Bachelor’s degree as required. We noted that in this regard, the Post Interview comments indicated the following:

*“Thabang presented very well. He gave good examples of work already done and revenue already generated. His presentation did lack some elements of leadership thoughts/projections/examples. Thabang was definitely the ideal fit for this role. He was questioned throughout his presentation and answered very well when put on the spot. He displayed a good sense of introspection and easily identified his areas of growth. He left the panel with a very good overall impression. Although he is a young candidate and does not have years of experience, he certainly is a well-rounded candidate with huge potential with the right mentorship”*

5.15.5.9. We noted on the post interview comments that the other three candidates were not recommended for consideration for appointment.

5.15.5.10. According to the advert, a minimum of eight (8) years Executive Management experience in Business, Cricket or Commercial Entity was required. We determined that Moroe was appointed to the CSA Board in 2014. In 2016, Moroe was appointed Vice President of CSA and Vice President of CSA’s Members Council. He was further appointed as Acting CSA CEO in

September 2017.

5.15.5.11. We noted that there was difference in requirements contained in the job profile and the advert. According to the advert, the minimum qualification was a Bachelor's in Business Administration whereas the job profile required a post graduate qualification. It is not clear who changed the minimum qualifications requirement from post graduate qualification to a Bachelor of Business Administration as contained in the advertisement.

5.15.5.12. When compared to other shortlisted candidates, Moroe lacked the minimum tertiary qualification.

#### 5.15.6. **Appointment**

5.15.6.1. We determined that CSA appointed Moroe in a letter dated 30 July 2018, with effect from 16 July 2018.

5.15.6.2. Nenzani indicated that the Board was not aware that Moroe did not have the minimum qualifications for the position of CSA CEO as the latter's appointment was dealt with by HR & Remco which gave its report to the Board for approval.

5.15.6.3. Khan indicated that the Board was aware that Moroe did not have the minimum qualifications for the position of CSA CEO.

#### 5.15.7. **Conclusions**

5.15.7.1. Moroe did not meet the minimum qualification required for the position of CSA CEO in that he did not have a Bachelor of Business Administration or equivalent qualification;

5.15.7.2. Moroe did not have a minimum of eight years Executive Management experience in Business, Cricket or Commercial Entity; and

5.15.7.3. CSA Board was aware or ought to have been aware that Moroe did not meet the minimum qualification for the position of CSA CEO.

#### 5.16. **EXTENDING LOANS TO AFFILIATES / UNIONS**

##### 5.16.1. **Background on related-party members loans**

5.16.1.1. We determined that CSA has twelve Affiliates (12) and two (2) Associate Members. The said Affiliates and Associate members are the following:

5.16.1.1.1. Boland Cricket – Affiliate;

- 5.16.1.1.2. Border Cricket – Affiliate;
  - 5.16.1.1.3. Easterns Cricket – Affiliate;
  - 5.16.1.1.4. Eastern Province Cricket – Affiliate;
  - 5.16.1.1.5. Free State Cricket Union – Affiliate;
  - 5.16.1.1.6. Gauteng Cricket Board – Affiliate;
  - 5.16.1.1.7. Kwazulu-Natal Cricket Union – Affiliate;
  - 5.16.1.1.8. Northern Cape Cricket Union – Affiliate;
  - 5.16.1.1.9. Northerns Cricket Union – Affiliate;
  - 5.16.1.1.10. North West Cricket – Affiliate;
  - 5.16.1.1.11. South Western Districts Cricket Board – Affiliates;
  - 5.16.1.1.12. Western Province Cricket Association – Affiliate;
  - 5.16.1.1.13. Limpopo Cricket Union – Associate Member; and
  - 5.16.1.1.14. Mpumalanga Cricket Union – Associate Member.
- 5.16.1.2. We determined based on the CSA financial statements for the year ended 30 April 2016 and 30 April 2017 as well as FinCom minutes of meeting dated 12 April 2017 that all members had no outstanding members loans due to CSA except for EPC and WPCA.
- 5.16.1.3. We determined that at the end of the 2016 financial year, WPCA and EPC each had one related party loan due to CSA. The said loans were outstanding as at the end of the 2017 financial year.
- 5.16.1.4. EPC and CSA entered into a loan agreement in June 2014 for a maximum loan amount of R4 million to assist EPC in meeting its immediate obligations. The loan to EPC was of a long term nature and granted to the member in an effort to support the affiliate member’s precarious financial position.
- 5.16.1.5. WPCA entered into a loan agreement with CSA on 27 August 2002. The loan arose out of CSA decision to support WPCA in the purchase of the Newlands Cricket Stadium. The loan granted by CSA in 2002 is unrelated to the loans granted in the 2018 and 2019 financial years for the stadium upgrades.

**Background on Members’ loans for stadium upgrades**

- 5.16.1.6. We were provided with minutes of a CSA Board meeting that took place at



the Sandton Sun, Johannesburg on 13 May 2017 from 09h45 to 12h00. We noted that the following individuals attended the said CSA Board meeting:

5.16.1.6.1. Mr Chris Nenzani (Chairman);

5.16.1.6.2. Mr Thabang Moroe;

5.16.1.6.3. Mr Beresford Williams;

5.16.1.6.4. Mr Iqbal Khan;

5.16.1.6.5. Mr Vusi Pikoli;

5.16.1.6.6. Ms Dawn Mokhobo;

5.16.1.6.7. Ms Zola Thamae;

5.16.1.6.8. Mr Norman Arendse SC;

5.16.1.6.9. Mr Louis von Zeuner;

5.16.1.6.10. Mr Tando Ganda; and

5.16.1.6.11. Mr Fa-eez Jaffar.

5.16.1.7. We further noted that there was an item relating to T20 Global League that was discussed at said meeting. We noted that under the T20 Global League an item relating to Stadium Capital and Infrastructure Upgrade was discussed.

5.16.1.8. The minutes of 13 May 2017 further reflected the following:

*The CFO's paper on stadium upgrades was taken as read. He highlighted the following:*

- *Total costs to fund the stadium maintenance and upgrades is expected to be R263m.*
- *R189m is expected to be spent in the current financial year (2017/18).*
- *In Jan 2017, the Board had approved funds to be used for stadium upgrades. Some funds will be distributed directly to the stadiums (approximately R33 million), based on the condition that the Members commence with the maintenance work and any upgrades needed immediately. The balance of the stadium funding would be in the form of loans to Members under favourable lending terms.*

5.16.1.9. We noted that there were various Member Affiliates that received stadium upgrade loans from CSA. The said stadium upgrade loans were for purposes of stadium renovations in preparation for the T20 Global League.

- 5.16.1.10. The list of all affiliates that received members' loans for stadium upgrades is as follows:
- 5.16.1.10.1. Border Cricket NPC;
  - 5.16.1.10.2. Boland Cricket NPC;
  - 5.16.1.10.3. Easterns Cricket NPC;
  - 5.16.1.10.4. Eastern Province Cricket NPC;
  - 5.16.1.10.5. Free State Cricket Union;
  - 5.16.1.10.6. Gauteng Cricket NPC;
  - 5.16.1.10.7. Kwa-Zulu Natal Cricket Union;
  - 5.16.1.10.8. Northern Cape Cricket NPC;
  - 5.16.1.10.9. Northerns Cricket Union;
  - 5.16.1.10.10. North West Cricket NPC; and
  - 5.16.1.10.11. Western Province Cricket Association.
- 5.16.1.11. We further noted that the minutes of 13 May 2017 reflected, in relation to the Stadium Capital and Infrastructure Upgrade, that *“Resolved that FinCom be given a mandate to approve loans to Members for stadium works in excess of their current mandate of R1.5m, where applicable, and after CSA has passed the liquidity and solvency test required by the Companies Act. The loans to Members should specifically be used to attend to priority repairs, maintenance, renovation upgrade or refurbishment needed by the Stadiums.”*
- 5.16.1.12. Clause 2.3.1(c) of the Delegation of Authority document provides that any loan to an Affiliate, Associate or Franchise requires the approval of the Board on the basis of a recommendation from FinCom.
- 5.16.1.13. In terms of clause 24.1 of the CSA MOI, The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The members of such committees may include Persons who are not Directors.
- 5.16.1.14. According to clause 3.1 of the Financial Assistance Policy, the Board delegated to FinCom approval of loan to Affiliates up to R1.5 million.
- 5.16.1.15. It therefore follows that the Board exercised its authority and resolved that FinCom be given a mandate to approve loans to Members for Stadium works

in excess of their mandate of R1.5m

5.16.1.16. Documentation provided to us by CSA reflect that on 17 May 2017, Appiah and Nkuta requested FinCom to approve the following loans to Affiliate Members to finance certain specific stadium works that have been identified based on FinCom Circular Resolution:

5.16.1.17. Loans for General Stadium Works

No.	Affiliate Member	Amount	Term
1	Boland Cricket	R14,610,000	10 years
2	Border Cricket	R3,000,000	5 years
3	Eastern Province Cricket	R28,780,000	15 years
4	Easterns Cricket Union	R3,000,000	7 years
5	Free state Cricket Union	R3,200,000	10 years
6	Gauteng Cricket Board	R10,000,000	10 years
7	KZN Cricket Union	R9,143,248	5 years
8	North West Cricket	R4,090,000	8 years
9	Northern Cape Cricket	R10,000,000	10 years
10	Northerns Cricket	R1,000,000	5 years
11	Western Province Cricket Association	R13,000,000	10 years
<b>Total</b>		<b>R99,823,248</b>	

5.16.1.18. Loans for LED Scoreboards

No.	Affiliate Member	Amount	Term
1.	Eastern Province Cricket	R7,000,000	8 years
2.	Gauteng Cricket Board	R7,000,000	8 years
3.	Northerns Cricket	R7,000,000	8 years
4.	Western Province Cricket Association	R7,000,000	8 years
<b>Total</b>		<b>R28,000,000</b>	

5.16.1.19. We noted that cumulative total for Member loans for stadium works reflected above, was R127,823,248.

5.16.1.20. Documentation provided to us further reflected that in addition to the loans approved for the stadium upgrades as reflected in the table above, CSA contributed R3 000 000.00 to each of the eleven Member Affiliates (R33 000 000 in total) as an incentive and for the members to commence with the stadium upgrades.

5.16.1.21. The amount of R3 000 000.00 for each Member Affiliates was in respect of the borrowers' already identified stadiums upgrades. According to the Loan Letter of Agreement, the said amount of R3 000 000.00 per Member Affiliate was provided subject to the following two conditions being met:

5.16.1.21.1. The Borrower (Member Affiliate) must address all the areas identified by CSA as priority stadium works; and

5.16.1.21.2. The stadium works must be completed by no later than 30 September 2017 (unless otherwise agreed in writing between the borrower and CSA).

5.16.1.22. According to the Loan Letter of Agreement, non-compliance with either of the above conditions would result in a member forfeiting 35% of the R3 000 000 (R1 050 000.00) contributed by CSA.

5.16.1.23. The above terms and conditions excluded the LED Scoreboards acquired by Wanderers, SuperSport Park, St Georges and Newlands as separate terms and conditions had already been agreed with the four Member Affiliates.

- 5.16.1.24. The objective of the Stadium Upgrade Loans was to align and accelerate each member's stadium capital upgrades to CSA's long-term stadium operating model. The plan primarily entailed systematic upgrade of equipment over the long-term where it was partly subsidised by CSA as a grant and partly funded as a soft loan/financial assistance.
- 5.16.1.25. During our consultations with Moseki and Gwaza, they indicated that during the financial year ended 30 April 2018 CSA placed a moratorium on the repayment of all stadium upgrades loans.
- 5.16.1.26. Based on the notes to the audited financial statements for the year ended 30 April 2018, CSA Board approved a moratorium on the current terms and conditions of the loans and further that the terms and conditions should be reinstated once the way forward for the new T20 league was confirmed after the postponement of the league in October 2017. The CSA Board decided that the repayments of the loans would commence on 30 June 2019.
- 5.16.1.27. We noted that most of the loans advanced to the Affiliates remained unpaid as on 30 April 2020 regardless of the lifting of the moratorium placed on the repayments as reflected above.
- 5.16.1.28. During our consultations with Moseki, he indicated that CSA is a going concern because it had cash reserves of R170 million as at 30 April 2020. Moseki further indicated that CSA had investments of approximately R200 million as at 30 April 2020.
- 5.16.1.29. Moseki indicated that CSA was solvent and liquid because the company had retained profit as at 30 April 2020.

## 5.16.2. **LOANS TO WPCA**

- 5.16.2.1. We determined from documentation reviewed that CSA advanced various loans to WPCA. The said loans related to the NCG and stadium upgrades. The process followed in the approval of the loans and the repayment thereof is discussed under the relevant sections below.

### **Loan for the purchase of Newlands Cricket Ground**

- 5.16.2.2. Based on a review of audited financial statements for the financial year ended 30 April 2016, we understand that on 27 August 2002 WPCA entered into a loan agreement with CSA.
- 5.16.2.3. The loan agreement followed a decision by CSA to support WPCA in the

purchase of the NCG. We were neither provided with a copy of the said loan agreement nor the initial loan amount advanced to WPCA.

- 5.16.2.4. Documentation provided to us by CSA did not reflect the total amount for the loan provided to WPCA for the purchase of NCG in 2002.
- 5.16.2.5. We consulted with Kock to enquire from him relating to the total amount advanced by CSA for the purchase of NCG. Kock indicated that the purchase of NCG in 2002 was prior to his time and therefore Kock did not know the total amount advanced by CSA. Kock referred us to Norman Arendse SC (“Arendse”) and indicated that he would be the individual that may be aware of the exact loan amount advanced to WPCA.
- 5.16.2.6. We contacted Arendse and enquired if he had information relating to the loan amount advanced to WPCA for the purchase of NCG.
- 5.16.2.7. Arendse indicated that as far as he could recall, the loan amount advanced to WPCA by CSA in 2002 for the purchase of NCG was R15 million.
- 5.16.2.8. Arendse provided us with the United Cricket Board of South Africa (“UCBSA”) financial statements for the year ended 30 April 2005. We noted from the same financial statements that UCBSA President was reflected as R. Mali with the Treasurer reflected as H. Lorgat.
- 5.16.2.9. We noted from the financial statement for the year ended 30 April 2005 that CSA approved and advanced R15 million to WPCA. The notes to the financial statements stated that the loan arose out of a General Council decision to support WPCA in the purchase of the Newlands Cricket Ground.
- 5.16.2.10. The notes further stated that the loan was unsecured and bore equivalent interest rates which the UCBSA (now CSA) would earn on the money market. We noted on the financial statements that the loan was repayable within the following financial year from 30 April 2005.
- 5.16.2.11. According to Janse Van Rensburg, as from 1 May 2010, the loan was repayable in instalments over a period of 10 years as per an agreed payment plan between WPCA and CSA. The last payment was expected to be on 30 April 2020.
- 5.16.2.12. According to the audited financial statements for the year ended 30 April 2016, interest was charged on the loan amount between 27 August 2002 and 30 April 2010. The capital balance and interest accrued on the said loan at

30 April 2010 were converted into an interest free loan. We were not provided with confirmation of the Governance Structure (Board/FinCom) that approved the conversion of the loan as the said conversion was done in 2010.

#### **Loan repayments and balance as at 30 April 2016**

- 5.16.2.13. According to the audited financial statements for the year ended 30 April 2016, as at 30 April 2015, the WPCA NCG loan balance was R9.6 million.
- 5.16.2.14. Based on the review of the financial statements for the year ended 30 April 2016, we noted a payment of R2 million in respect of the NCG loan balance of R9.6 million. The payment of R2 million reduced the balance to R7.6 million.
- 5.16.2.15. We requested CSA to provide us with a copy of the payment plan for the WPCA loan in order to assess whether WPCA complied with the repayment terms of the member's loan from 1 May 2010 until 30 April 2016.
- 5.16.2.16. Moseki indicated that the repayment plan for WPCA loan may not exist because the loan agreement was signed more than 10 years ago, namely 27 August 2002. Moseki initially undertook to provide us with the loan agreement outlining the repayment plan. Moseki subsequently indicated that he could not locate the said loan agreement.
- 5.16.2.17. We determined that as at 30 April 2016 there were no further loans advanced to WPCA.
- 5.16.2.18. Based on FinCom minutes of a meeting dated 12 February 2016, we noted that Appiah in his capacity as CFO, stated that CSA was satisfied that WPCA would be in a position to settle their loan repayments to CSA as and when they fall due.

#### **Loan repayments and balance for the year ended 30 April 2017**

- 5.16.2.19. As indicated above, as at 30 April 2016 the balance of the WPCA NCG loan was R7.6 million.
- 5.16.2.20. We noted from CSA FinCom minutes of a meeting held on 6 December 2016 that it was recorded that Appiah reported that members' loan payments (including WPCA) were up to date.
- 5.16.2.21. We noted that there was a WPCA Board meeting held on 31 January 2017.

The minutes of the said meeting *inter alia* reflected that WPCA was of the opinion that the Association will turn the business around commercially and were confident that they would honour the balloon payment of the NCG loan agreement by April 2020.

- 5.16.2.22. We further noted that there was a CSA FinCom minutes held on 12 April 2017. According to the minutes of the said FinCom meeting, it was noted that the WPCA CEO sent confirmation that WPCA would not be settling the balloon payment by April 2020.
- 5.16.2.23. Our analysis of audited financial statements for the year ended 30 April 2017 indicate that WPCA did not make any payment towards the NCG loan from 1 March 2016 to 30 April 2017.
- 5.16.2.24. We determined that CSA did not extend any further loans to WPCA until year ended 30 April 2017.
- 5.16.2.25. We noted that the balance of the NCG loan as at 30 April 2017 was R7.6 million.

#### **Loan repayments and balance for the year ended 30 April 2018**

- 5.16.2.26. As indicated above, as at 30 April 2017, the NCG loan balance was R7.6 million.
- 5.16.2.27. We determined in the notes to the audited financial statements that the opening balance reduced from R7.6 million to R6.6 million due to fair value adjustment of R1 million.
- 5.16.2.28. Based on the analysis of CSA bank statements, we noted that WPCA paid an amount of R1 million on 13 July 2017.
- 5.16.2.29. From documentation reviewed, we noted that there was a CSA AuditCom meeting held on 13 July 2017. During the said AuditCom meeting Lorgat raised a concern that he did not foresee WPCA's financial position strengthening enough to be in a position to settle its loan by 30 April 2020 as per the agreed upon 10-year payment plan.
- 5.16.2.30. We further noted that the AuditCom minutes reflected that the committee members were concerned that WPCA delayed in their repayment of R1 million towards their CSA loan due by 30 April 2017.
- 5.16.2.31. It was noted in the minutes of the meeting that the payment of R1 million on



13 July 2017 was in respect of the financial year ended 30 April 2017 although paid in 2018 financial year.

- 5.16.2.32. We noted that there was a FinCom meeting on 13 February 2018. We further noted that Nkuta, in her capacity as Acting CFO *inter alia* indicated that since 2015 WPCA has had a history of defaulting on loan repayments to CSA. This statement by Nkuta contradicts Appiah's version that WPCA was up to date with their loan payments.
- 5.16.2.33. According to the audited financial statements, a loan balance of R5.6 was secured over the stadium property as a second security.
- 5.16.2.34. We determined that there were no other loans advance to WPCA in 2018.

### **Conclusions relating to the 2002 loan to WPCA**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

- 5.16.2.35. In 2002, CSA advance a loan of R15 million to WPCA for the purchase of the NCG;
- 5.16.2.36. The R15 million loan advanced to WPCA was payable over a period of 18 years from 2002 to 2020;
- 5.16.2.37. As at 12 July 2019, WPCA paid a total of R9.4 million towards the loan of R15 million;
- 5.16.2.38. We could not conclude whether WPCA complied with the terms of the loan since 1 May 2010 when the loan was converted into an interest free loan with 10 year repayment term because we were not provided with the revised loan repayment plan.
- 5.16.2.39. The loan balance as at 30 April 2017 was stated at R5.6 million after deduction of loan repayment of R1 million and fair value adjustment of R1 million from the 2016 balance of R7.6 million.
- 5.16.2.40. Khan failed to recuse himself from the FinCom meeting of 3 March 2018 regardless of the fact that he was conflicted due to his position at Brimstone whose CEO, Mustaq Brey is the Independent WPCA Board member;
- 5.16.2.41. WPCA owed a balance of R5.6 million by 12 July 2019;
- 5.16.2.42. The balance of R5.6 million owed by WPCA as at 12 July 2019 was converted into equity and utilised as part of the amount of R18.3 million used to

purchase 24% shares in PropCo;

- 5.16.2.43. WPCA did not pay the loan over 10 years including the balloon repayment by April 2020 according to the original payment plan or agreement;
- 5.16.2.44. WPCA does not owe CSA any amount of the 2002 loan advance to purchase NCG;
- 5.16.2.45. The balance of the R18.3 million (R12.7 million) comprised R5 million loan advance to WPCA on 11 April 2019 as well as R7.7 million Investec mortgage loan;
- 5.16.2.46. Appiah's version that WPCA was up to date with their loan repayments was incorrect as WPCA was not up to date with its loan repayments for the R15 million CSA loan; and
- 5.16.2.47. Appiah misled the CSA Board by stating that the WPCA loan repayments were up to date when he ought to have known that it was not up to date.

#### **Investec Mortgage loan**

- 5.16.2.48. We understand that Investec Bank had a mortgage loan over the NCG in respect of a loan advanced to WPCA. We further understand that on 13 February 2018, WPCA approached CSA for a loan of R7.7 million which would be used to settle Investec Mortgage Loan.

#### **Conflict of interest relating to the Investec Mortgage loan**

- 5.16.2.49. Based on documentation reviewed, we determined that on 26 February 2018 at 21:18, Lindiwe Ndziba ("Ndziba") sent an email to Khan and copied Nkuta. The subject matter reflected "*FinCom and BOD WPCA Loan Approval*". Ndziba indicated the following in her email to Khan:

*"Dear Iqbal*

*I trust this email finds you well*

*Following the FinCom meeting, I have been considering the potential existence of a conflict of interest. Based on a PwC conflict of interest discussion document that Louis shared earlier this year, I believe there is a potential conflict of interest that needs to be addressed in relation to yourself and the WPCA Loan approval.*

*Although you may be making an objective decision in relation to recommending the loan for approval, as director you need to be careful of a perceived conflict of interest.*

*I'm sure you will appreciate that a perceived conflict needs to be managed with sensitivity.*

*There is no financial gain for yourself in this circumstance but we need to consider the qualitative factors as well. Your relationship with Mr Ahmed could be considered as a material relationship (employee and employer) that could influence your decision in this matter. Although there may not be an actual conflict, there may be a perception that the company issued the loan to WPCA because of your potential influence on the CSA Board and your relationship with Mr Ahmed.*

*It has been recommended (per the PWC discussion document) that where the conflict is not defined by the Act, the director must consider the manner in which the conflict is to be managed. However, it has been suggested that the procedures in terms of Section 75 of the act would be best practice.*

*I would suggest in terms of good governance practice we record your potential conflict of interest in the minutes and further to this, I would recommend you recuse yourself from the decision in accordance with Section 75 of the Act.*

*Kindly consider the above note. Please contact me should you have any concerns. I will be looking forward to your response.*

*Warm regards*

*Lindi"*

5.16.2.50. Sections 75 (5) of the Companies Act reflects that,

If a director of a company, other than a company contemplated in subsection (2)(b) or (3), has a personal financial interest in respect of a matter to be considered at a meeting of the board, or knows that a related person has a personal financial interest in the matter, the director –

- *must disclose the interest and its general nature before the matter is considered at the meeting;*
- *must disclose to the meeting any material information relating to the matter, and known to the director;*
- *may disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors;*
- *if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraph (b) or (c);*

- 5.16.2.51. We determined that on 27 February 2018 at 16:38, Khan responded to Ndziba's email and thanked her for bringing the potential conflict of interest to his attention. Khan further indicated that he could not make a call whether a conflict existed or not. Khan indicated that he would rather be guided by Ndziba in that regard.
- 5.16.2.52. In his email Khan indicated that he believed that if some suspicion existed, he would rather stay out of the decision. Khan further stated that he was happy to recuse himself from the decision but urged Ndziba to ensure that CSA satisfied the Investec deadline even if such was extended.
- 5.16.2.53. On 3 March 2018, Khan as Chairperson of CSA FinCom, made recommendation to CSA Board to approve the settling of Investec Mortgage Loan of R7.7 million. We noted that although Khan was advised of possible conflict of interest, he failed to recuse himself from the FinCom meeting of 3 March 2018.
- 5.16.2.54. We understand that the CSA Board of 3 March 2018 resolved that CSA settles the Investec Mortgage Loan of R7.7 million on behalf of WPCA and convert it into a related party loan, subject to the approval of the consolidation of all WPCA loans and revised payment terms.
- 5.16.2.55. We noted that PwC disclosed in the 2018 audited financial statements that additional loan arose out of a decision of CSA to assist WPCA to settle their outstanding Investec loan of R7.7 million.
- 5.16.2.56. The loan was to be secured over the stadium property.
- 5.16.2.57. The external auditors reported that at the time of preparing the financial statements for the year ended 30 April 2018, a mortgage bond was being registered as security over NCG.
- 5.16.2.58. PwC further stated that in the event of default by the WPCA in relation to the said loan, CSA would be entitled to withhold all amounts payable to WPCA.

### **WPCA loan repayments and balances for the year ended 30 April 2019**

#### **NCG loan repayment**

- 5.16.2.59. Based on the audited financial statements for the year ended 30 April 2019, WPCA did not make repayment towards their outstanding loan balance of R5.6 million during the year.

### **Investec loan repayment**

5.16.2.60. WPCA did not make any loan repayment during the year ended 30 April 2019 towards the Investec loan balance of R7.7 million.

### **Conclusions relating to Investec Mortgage Loan**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

5.16.2.61. WPCA approached CSA to settle an amount of R7.7 million which was a mortgage loan with Investec for the purchase of the NCG; and

5.16.2.62. On 3 March 2018, CSA Board approved the WPCA application of R7.7 million to settle the Investec loan and converted the said loan into equity to purchase 24% shares in Propco.

5.16.2.63. Khan was the Chairman of the CSA FinCom that approved the application by WPCA for the R7.7 million to settle the Investec loan;

5.16.2.64. Regardless of Khan being warned to recuse himself from the process due to a potential existence of a conflict of interest in considering WPCA's application for the R7.7 million Investec loan, he proceeded and presided over the decision to approve the application by WPCA;

5.16.2.65. Khan failed to recuse himself resulting in him contravening section 76(3)(b) of the Companies Act.

5.16.2.66. Khan contravened Section 76(3)(a) of the Companies Act in that he failed to act in good faith and for a proper purpose in that he presided over the decision to approve the application by WPCA regardless of a potential conflict of interest.

5.16.2.67. Khan contravened Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to CSA in that he presided over the decision to approve the application by WPCA regardless of a potential conflict of interest.

### **CSA BRIDGING FINANCE TO WPCA**

5.16.3. Based on the FinCom meeting held on 24 April 2019, WPCA commenced its stadium development project in partnership with Sanlam. Due to unforeseen delays, WPCA had not timeously obtained the required finance to fund the

project as at the commencement date of the project.

- 5.16.4. On 11 April 2019, FinCom resolved to advance an additional loan of R5 million to WPCA to assist the latter with respect to urgent cash payment to prevent completion delays ("bridging finance").
- 5.16.5. The FinCom meeting dated 24 April 2019 approved loan facility of R5 million to WPCA despite the fact that WPCA requested CSA to pay Investec loan of R7.7 million on their behalf and consolidation with related party loan balance of R5.6 million as part of financial relief.
- 5.16.6. WPCA was not in good standing as it was not repaying its loans to CSA. We determined that WPCA's application for the cash advancement of R5 million was granted on the basis that the loan would be awarded at the prevailing market rates i.e. the cost of financing from an external lender to CSA.
- 5.16.7. The loan of R5 million was repayable within 90 days as per minutes of FinCom meeting.
- 5.16.8. PwC's disclosure in the notes to the financial statements stated that an amount of R5 million in the financial year 2018/19 was granted to WPCA as a loan. The loan was granted interest free and was payable after 90 days.
- 5.16.9. As per notes to the audited financial statements for the year ended 30 April 2019, CSA advanced the loan of R5 million to WPCA to facilitate the continuing stadium development project. Bridging finance was required to settle the immediately payable invoices that were associated with the stadium upgrade project.
- 5.16.10. Due to the nature of the loan, as a bridging finance, no formal agreement was drawn up between CSA and WPCA. The loan was not repaid within 90 days as stated in the FinCom meeting dated 11 April 2019.
- 5.16.11. It should be noted that the R5 million loan advanced to WPCA for the NCG developments is part of R87 million CSA advanced to WPCA for the said developments. The R87 million advance to WPCA is further discussed in paragraph 5.12 above. Please refer to our discussion under WPCA loans in this report for a detailed breakdown and utilisation of the R87 million which comprised R5 million advance on 11 April 2019, the R48,9 million advance on 28 May 2019, and the R33,698,484 advanced on 6 August 2019.

### **Conclusions relating to the R 5 million bridging Finance**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

- 5.16.11.1. WPCA was having difficulty to pay back the loans as per original agreements and the settlement was done through conversion of shares in the WPCA property company.
- 5.16.11.2. The Bridging finance loan of R5 million was supposed to be paid over 90 days but this condition changed when the combined loans were converted into equity.
- 5.16.11.3. Conclusions relating to Williams and Khan's potential conflict of interest in the approval of the R5 million loan bridging finance advanced to WPCA are dealt with in paragraph 5.12 above.

#### CONVERSION OF WPCA LOANS TO EQUITY

- 5.16.11.4. According to the minutes of the combined AuditCom and FinCom meeting of 12 July 2019, it was resolved that the balance of the loan to purchase NCG, WPCA Investec loan and Bridging finance loan be utilised to acquire 24% of the PropCo issued share capital.
- 5.16.11.5. We did not review the process followed in the acquisition of the 24% stake in PropCo as we were not required to do so. We therefore did not review the Shareholders Agreement.
- 5.16.11.6. The table below reflects the conversion of loan balances as at 12 July 2019.

Date	Description	Loan Balance	Conversion	Balance after conversion
12/07/2019	Loan to purchase NCG	R 5,600,000.00		R 5,600,000.00
12/07/2019	Loan (NCG Purchase) balance converted to equity		R 5,600,000.00	-R 5,600,000.00
06/03/2018	Settling of Investec loan	R 7,700,000.00		R 7,700,000.00
12/07/2019	Investec loan balance converted to equity		R 7,700,000.00	-R 7,700,000.00

24/04/2019	Bridging finance for stadium works	R 5,000,000.00		R 5,000,000.00
12/07/2019	Loan balance converted to equity		R 5,000,000.00	-R 5,000,000.00
<b>Total as at 29 February 2020</b>		<b>R 18,300,000.00</b>	<b>R 18,300,000.00</b>	<b>R 0.00</b>

5.16.12. The balance of the 2002 loans to WPCA for the purchase of NCG was R5.6 million as at 30 April 2019. We noted that the balance of the 2002 loan, the settlement of WPCA Investec loan (R7.7 million), and Bridging Finance loan to WPCA (R5 million) were settled through a conversion to equity in PropCo.

5.16.13. At the time of conversion of the loan balances to equity, the total balance of the said loans combined was R18.3 million. The said loans were used to settle the purchase price of R18.3 million to acquire 24% stake in the property company.

5.16.14. CSA acquired 24% of PropCo's issued share capital as per minutes of the combined AuditCom and FinCom meeting dated 12 July 2019, with WPCA holding the remaining 76% shares in Propco. Propco held 49% shares in NCG with Sanlam holding 51% shares.

#### **CONCLUSIONS RELATING TO THE PURCHASE OF THE NCG, INVESTEC MORTGAGE LOAN, CSA BRIDGING FINANCE TO WPCA AND CONVERSION OF LOANS TO EQUITY**

5.16.15. The balance of the loan to WPCA was R7.6 million as per the audited financial statements for the year ended 30 April 2016.

5.16.16. We could not conclude whether WPCA complied with the terms of the loan since 1 May 2010 when the loan was converted into an interest free loan with 10-year repayment term because we were not provided with the revised loan repayment plan.

5.16.17. WPCA did not make loan repayments to CSA during the year ended 30 April 2017 in relation to the outstanding loan brought forward from 30 April 2016.

5.16.18. The balance of the loan to WPCA did not change from prior year and remained at R7.6 million as per the audited financial statements for the year ended 30 April 2017.



- 5.16.19. The loan repayment of R1 million made during the year ended 30 April 2017 related to the payment that was supposed to have been made in 2016.
- 5.16.20. The loan balance as at 30 April 2017 was stated at R5.6 million after deduction of loan repayment of R1 million and fair value adjustment of R1 million from the 2016 balance of R7.6 million.
- 5.16.21. Khan failed to recuse himself from the FinCom meeting of 3 March 2018 regardless of the fact that he was conflicted due to his position at Brimstone whose CEO, Mustaq Brey is the Independent WPCA Board member.
- 5.16.22. WPCA did not make loan repayments to CSA during the year ended 30 April 2019.
- 5.16.23. The balance of the loan to WPCA did not change from prior year and remained at R5.6 million as per the audited financial statements for the year ended 30 April 2019.
- 5.16.24. According to the CSA audited financial statement for the year ended 30 April 2019, the loan was secured over the stadium property as a second security.
- 5.16.25. Appiah's version that WPCA was up to date with their loan repayments when in truth and in fact WPCA was not up to date with its loan repayments for the R15 million CSA loan, was designed to mislead the CSA Board.
- 5.16.26. Appiah misled the CSA Board by stating that the WPCA loan repayments were up to date when he ought to have known that it was not up to date.
- 5.16.27. At the end of the 2017/18 financial year, WPCA owed CSA an amount of R7.7 million in respect of the Investec Mortgage loan.
- 5.16.28. WPCA did not make any payment to CSA in relation to Investec Mortgage loan.
- 5.16.29. The loan balance remained the same as prior year at an amount of R7.7 million as at 30 April 2019.
- 5.16.30. The loan of R5 million was interest free and repayable within 90 days however it was never repaid back as anticipated. The balance of the bridging finance loan was R5 million at 30 April 2019 as per audited financial statements.
- 5.16.31. WPCA did not pay the loan over 10 years including the balloon repayment by April 2020 according to the original payment plan or agreement.
- 5.16.32. WPCA was having difficulty to pay back the loans as per original agreements and the settlement was done through conversion of shares in the WPCA

property company.

5.16.33. The Bridging finance loan of R5 million was supposed to be paid over 90 days but this condition changed when the combined loans were converted into equity.

#### LOANS TO WPCA FOR STADIUM UPGRADES

5.16.34. Based on documentation reviewed, we determined that CSA approved various loans to WPCA relating to stadium upgrades.

5.16.35. The table below reflects stadium upgrade loans advanced to WPCA:

Date	Description	Original loan	Repayments	Balance
31/05/2017	Stadium upgrade loans	R 8,635,500.00	R 2,560,445.00	R 6,075,055.00
28/08/2017	Stadium upgrade loans	R 852,720.00	R 0.00	R 852,720.00
13/09/2017	Stadium upgrade loans	R 4,104,417.20	R 0.00	R 4,104,417.20
27/09/2017	Stadium upgrade loans	R 471,030.52	R 0.00	R 471,030.52
28/09/2017	Stadium upgrade loans	R 346,411.31	R 0.00	R 346,411.31
29/09/2017	Stadium upgrade loans	R 577,343.33	R 0.00	R 577,343.33
18/10/2017	Stadium upgrade loans	R 3,990,638.66	R 0.00	R 3,990,638.66
24/10/2017	Stadium upgrade loans	R 809,003.28	R 0.00	R 809,003.28
27/10/2017	Stadium upgrade loans	R 754,419.44	R 0.00	R 754,419.44
04/12/2017	Stadium upgrade loans	R 593,038.53	R 0.00	R 593,038.53
10/01/2018	Stadium upgrade loans	R 339,583.50	R 0.00	R 339,583.50
18/01/2018	Stadium upgrade loans	R 102,695.78	R 0.00	R 102,695.78
<b>Total as at 29 February 2020</b>		<b>R 21,576,801.55</b>	<b>R 2,560,445.00</b>	<b>R 19,016,356.55</b>

5.16.36. We discuss below the various stadium loans approved in favor of WPCA.

**Loan of R21.6 million advanced to CSA in 2018**

5.16.37. According to the loan letter of agreement dated 19 May 2017, FinCom considered and approved WPCA loan application that was made on 12 May 2017 for an amount of R13 million. The loan was repayable over a 10-year period commencing 1 June 2017 and terminating on 31 August 2027.

5.16.38. We further noted that WPCA was given an additional loan of R8.6 million for LED Scoreboards. The total amounts of loans approved to WPCA was R21.6 million for the year ended 30 April 2018.

5.16.39. The purpose of the loans was to assist WPCA to address priority repairs, maintenance, renovation, upgrade or refurbishment (“stadium works”) that were identified as essential to upkeep the WPCA’s stadium to the required standards.

5.16.40. We noted that WPCA had utilised R21.5 million of the approved loan facility of R21.6 million as at 30 April 2018. The amount of R21.5 was paid in 12 tranches from the period 31 May 2017 to 18 January 2018 as per the table above.

5.16.41. As at 30 April 2018, WPCA had an unutilised balance of the approved loan facility of R58,698.00.

5.16.42. We noted that as at 30 November 2019, WPCA made loan repayments of R2.5 million to CSA towards the said loan balance. The repayment of R2.5 million reduced the balance to R19 million.

5.16.43. As at 29 February 2020, the total amount owed to CSA by WPCA relating to the loan advanced for the stadium upgrades was R19 million.

**Loans of R48,900,000 and R33,698,484 advanced to WPCA in 2019 for NCG development**

5.16.44. We determined that CSA approved two loans of R48.9 million and R33.6 million for the NCG development.

5.16.45. The table below reflects payments to WPCA relating to the loan:

Date	Description	Original loan	Repayments	Balance
24/05/2019	NCG development loans	R 22,900,000.00	R 0.00	R 22,900,000.00

29/05/2019	NCG development loans	R 13,000,000.00	R 0.00	R 13,000,000.00
11/06/2019	NCG development loans	R 13,000,000.00	R 0.00	R 13,000,000.00
07/08/2019	NCG development loans	R 33,698,454.00	R 0.00	R 33,698,454.00
06/02/2019	Repayment of loan		R 25,610,825.00	R -25,610,825.00
12/02/2019	Repayment of loan		R 8,087,629.00	R -8,087,629.00
<b>Total as at 29 February 2020</b>		<b>R 82,598,454.00</b>	<b>R 33,698,454.00</b>	<b>R 48,900,000.00</b>

- 5.16.46. Documentation provided to us reflect that CSA advanced a loan of R48.9 million on 28 May 2019. The said loan was part of the R82.6 million loans advanced to WPCA for the NCG upgrades. From various documentation reviewed, we noted that the R82.6 million was utilised as part of the payments made to Stefanutti Stocks for construction work at NCG.
- 5.16.47. We reviewed the loan agreement between CSA, WPCA Holdings (Pty) Ltd, and WPCA, and noted that the agreement was only signed by CSA on 28 May 2019, and the other parties did not sign the loan agreement.
- 5.16.48. The amount of R48,900,000 was advanced to WPCA in exchange for cession and pledge in of the security shares by the WPCA in favor of the CSA.
- 5.16.49. CSA provided additional bridging loans for the property development to ensure continuous construction R48,900,000 in terms of an agreement dated 28 May 2019 and R33,698,484 under an agreement dated 6 August 2019 to protect the sustainability of cricket in Western Province.
- 5.16.50. We noted from CSA bank statements that CSA transferred an amount of R33,698,484 million to WPCA on 7 August 2019.
- 5.16.51. CSA loaned WPCA a total of R82.6 million (i.e. R48.9 million, and R33.7 million) during the year 2019 for NCG development. The amount of R82.6 was paid in 4 tranches from the period 24 May 2019 to 7 August 2019.
- 5.16.52. We consulted with Dean and Kock who indicated that WPCA only paid back

the capital of R33.7 million to CSA.

- 5.16.53. From CSA bank statements provided to us, we determined that on 6 February 2020 WPCA paid CSA an amount of R25,610,825. We further noted that the bank statements reflected that on 12 February 2020 WPCA made a further payment of R8,087,629.00. The total amount paid by WPCA to CSA was R33,698,454.00 (i.e. R25,610,825.00 plus R8,087,629.00).
- 5.16.54. During our consultations with Moseki and Gwaza, they indicated that 24% of R48.9 million, i.e. R11.7 million was advanced to PropCo as a shareholder's loan for PropCo to meet its obligations towards Stefanutti Stocks.
- 5.16.55. The remaining 76% of R48.9 million, i.e. R37.2 million was advanced to WPCA as a loan due and payable at registration of the lease between WPCA and CPUT. The lease was registered on 9 September 2019 and therefore the loan repayment of R37.2 was due on the said date. As at the date of this report, WPCA had not paid the loan of R37.2 million.

#### **CONCLUSIONS ON LOANS TO WPCA FOR STADIUM UPGRADES AND NCG DEVELOPMENT**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

- 5.16.56. The approved loan facility available for use by WPCA amounted to R21.6 million for the year ended 30 April 2018 for stadium upgrades;
- 5.16.57. As at November 2019, the balance of the stadium upgrade loans made to WPCA by CSA was R20.5 million;
- 5.16.58. WPCA loans for stadium upgrades were not recoverable from revenue generated by the use of stadium as envisaged in the T20GL proposal because T20GL was deregistered as a legal entity on 3 March 2018;
- 5.16.59. The stadium upgrades loans are recoverable against future distributions by CSA to the WPCA;
- 5.16.60. CSA advance an amount of R48.9 million as part of the loans advanced for the NCG development;
- 5.16.61. CSA advanced a further R33,698,484 as part of the loans advanced for the NCG development;
- 5.16.62. The total amount advanced to WPCA for the NCG development was

R82,698,484;

5.16.63. WPCA paid the amount of R33,698,454 toward the loan of R33,698,484;

5.16.64. R11.7 million of the R48.9 million was converted to shareholder's loan to PropCo;

5.16.65. The balance of the CSA loans to WPCA for NCG development was R37.2 million; and

5.16.66. The total balance owed to CSA by WPCA as at the date of this report is R57.7 million.

**5.16.67. LOANS ADVANCED TO EPC BY CSA**

5.16.68. We determined that CSA provided various loans to the EPC in respect of the "soft loan" as well as the stadium upgrade.

5.16.69. The table below reflect a summary of loans paid to EPC in respect of the soft loan and as well as stadium upgrades.

Date	Description	Original loan	Repayments	Balance
16/03/2014	EPC soft loan - 1st Tranche	R 1,369,900.00	R 1,369,900.00	R 0.00
30/04/2015	EPC soft loan - 1st Tranche	R 2,100,000.00	R 1,049,000.00	R 1,051,000.00
19/05/2017	Stadium upgrade loans	R 28,780,000.00	R 0.00	R 28,780,000.00
31/05/2017	LED Scoreboards	R 8,635,500.00	R 2,560,445.00	R 6,075,055.00
31/07/2017	Stadium upgrade loans	R 2,720,000.00	R 0.00	R 2,720,000.00
31/10/2017	Stadium upgrade loans	R 2,001,476.00	R 0.00	R 2,001,476.00
<b>Total as at 29 February 2020</b>		<b>R 45,606,876.00</b>	<b>R 4,979,345.00</b>	<b>R 40,627,531.00</b>

5.16.70. Below we discuss the process followed by CSA in advancing loans to EPC as well as the repayment thereof.

**LOAN TO SUPPORT EPC TO SUSTAIN ITS OPERATIONS**

5.16.71. According to the Master Loan Agreement signed by EPC and CSA on 12 June 2014 and 20 June 2014 respectively, CSA noted the dire financial situation at EPC and as a result provided support in the form of a "soft loan" to assist EPC

in meeting its immediate obligations.

- 5.16.72. The approval of the maximum loan of R4.0 million to EPC was granted at a CSA Board meeting of 14 February 2014. The CSA Board noted that the loan was made primarily to protect the reputation and brand of cricket. The Master Loan Agreement stated the effective date of the loan was 15 February 2014.
- 5.16.73. From the documentation provided, we determined that on 16 March 2014, CSA paid a loan amount of R1.36 million to EPC as per Master Loan Agreement.
- 5.16.74. The loan was interest free for the first 18 months, with interest becoming payable on any outstanding balance as at 1 September 2014. Monthly instalments commenced on 1 November 2014 being, 9 months after effective date as per Master Loan Agreement.
- 5.16.75. Monthly instalments consisting of capital and interest were to be deducted from the monthly distributions paid by CSA to EPC as set out in EP1 (Loan repayment schedule attached), EP2 (Breakdown of utilisation of initial tranche) and any other drawdowns that might be advanced to a maximum of R4 million.
- 5.16.76. CSA reserved the right to deduct any outstanding balance, in part or in full settlement, from any distributions that might become and payable to EPC.
- 5.16.77. The loan had a 5-year term effective 1 December 2014 and ending 1 November 2019 as outlined in the Master Loan Agreement.
- 5.16.78. EPC was obliged to submit monthly management accounts to CSA. We further noted that EPC was expected to ensure that all statutory and regulatory returns were submitted and kept up to date including but not limited to returns that had to be submitted to SARS. The agreement stated that failure to adhere to submission of statutory and regulatory returns would have constituted immediate default. CSA reserved the right to impose additional and more stringent conditions on the loan, should EPC fail to submit the monthly management accounts and declarations, or submit incorrect information to CSA.
- 5.16.79. As reflected in the table above, the second tranche of the EPC loan in the amount of R2.1 million was made during the year ended 30 April 2015. The cumulative loans disbursed to EPC as at 30 April 2015 were R3.5 million.
- 5.16.80. The loan of R3.5 million to EPC was secured against future company grants payable to EPC and was repayable by way of monthly instalments of R68,000

with the final instalment due in November 2019.

5.16.81. The loan advanced to EPC by CSA accrued a total interest of R653,000 as in November 2019.

5.16.82. As at 1 November 2019, EPC made total loan repayments of R3.1 million towards the loan of R3.5 million advanced by CSA.

5.16.83. As at November 2019, EPC were in arrears of R1.1 million in respect of the R3.5 million soft loan.

5.16.84. EPC failed to settle the loan of R3.5 million within the loan period specified in the Master Loan Agreement.

#### **LOAN ADVANCE TO EPC FOR STADIUM UPGRADES**

5.16.85. According to the loan letter of agreement dated 19 May 2017, the CSA FinCom considered and approved a loan request from EPC made on 12 May 2017 for an amount of R28.8 million.

5.16.86. The said loan was repayable over a 15-year period commencing 1 June 2017 and terminating on 31 August 2032.

5.16.87. We noted that the purpose of the loan was to assist EPC to address priority repairs, maintenance, renovation upgrade or refurbishment (“stadium works”) that were identified as essential to upkeep the EPC’s stadium to the required standards as per the minutes of 13 May 2017.

5.16.88. We further noted that CSA granted EPC a further loan amount of R8.6 million for LED scoreboards according to the CFO paper presented on FinCom meeting of 18 May 2018.

5.16.89. We further noted that CSA granted EPC two additional loans of R2.7 million and R2 million.

5.16.90. The total amount approved to EPC for the stadium upgrade was R42.1 million.

5.16.91. EPC made loan repayments of R2.6 million towards the loan of R42.1 million for the stadium upgrades.

5.16.92. As at 29 February 2020, the total amount owed to CSA by EPC relating to the loan advanced for the stadium upgrades was R39.1 million.

#### **5.16.93. LOANS ADVANCED TO BOLAND CRICKET FOR STADIUM UPGRADES**

5.16.94. We determined that CSA provided various loans to Boland Cricket in respect



of stadium upgrades.

5.16.95. The table below reflect a summary of loans advanced to Boland Cricket in respect of stadium upgrades:

<b>Date</b>	<b>Description</b>	<b>Original loan</b>	<b>Repayments</b>	<b>Balance</b>
28/06/2017	Stadium upgrade loans	R 10,670,400.00	R 0.00	R 10,670,400.00
04/09/2017	Stadium upgrade loans	R 2,575,748.76	R 0.00	R 2,575,748.76
08/08/2017	Stadium upgrade loans	R 1,619,517.26	R 0.00	R 1,619,517.26
04/09/2017	Stadium upgrade loans	R 3,606,786.88	R 0.00	R 3,606,786.88
03/10/2017	Stadium upgrade loans	R 927,260.27	R 0.00	R 927,260.27
12/10/2017	Stadium upgrade loans	R 6,135,799.68	R 0.00	R 6,135,799.68
14/12/2017	Stadium upgrade loans	R 4,964,487.00	R 0.00	R 4,964,487.00
<b>Total as at 29 February 2020</b>		<b>R 30,499,999.85</b>	<b>R 0.00</b>	<b>R 30,499,999.85</b>

5.16.96. On 12 May 2017, Boland Cricket requested a loan of R14.6 million from CSA as per CSA Standard Member Loan Application Form. We understand that the loan was required to address areas identified by CSA and Boland Cricket as priority repairs, maintenance, renovation upgrade or refurbishment of Boland Cricket Stadium.

5.16.97. We noted that CSA FinCom had a meeting on 18 May 2018. Minutes of the said meeting reflects that CSA approved a loan of R14.7 million in July 2017. The said loan was in addition to the loan of R14.6 million approved to Boland Cricket on 12 May 2017 as reflected above.

5.16.98. The CSA CFO presented a Paper to CSA FinCom of 18 May 2018. The said paper reflected that in October 2017 Boland Cricket requested a further loan of R1.2 million. On 17 May 2017, FinCom approved a loan of R1.2 million to Boland Cricket.

5.16.99. As at October 2017, the total amount of stadium upgrade loans advanced to Boland Cricket was R30.5 million in seven tranches from 28 June 2017 to 14 December 2017 as per the table above.

5.16.100. We were not provided with loan agreements for the three (3) loans advanced to Boland Cricket by CSA, and are therefore not able to determine the payment terms of the said loans.

5.16.101. Boland Cricket did not make any repayments to CSA for the three (3) loans as at 30 November 2019 and the outstanding amount owed to CSA on the said date was R30.5 million.

**5.16.102. BORDER CRICKET**

5.16.103. We determined that CSA provided various loans to Border Cricket in respect stadium upgrade.

5.16.104. The tables below reflect a summary of loans advanced to Border Cricket in respect of stadium upgrades:

Date	Description	Original loan	Repayments	Balance
04/09/2017	Stadium upgrade loans	R 2,886,522.64	R 0.00	R 2,886,522.64
23/01/2018	Stadium upgrade loans	R 159,896.40	R 0.00	R 159,896.40
<b>Total as at 29 February 2020</b>		<b>R 3,046,419.04</b>	<b>R 0.00</b>	<b>R 3,046,419.04</b>

5.16.105. As discussed above, the Board resolved during its meeting of 13 May 2017 that FinCom be given a mandate to approve loans to members for stadium works in excess of FinCom’s mandate of R1.5 million.

5.16.106. According to the Paper presented to CSA’s FinCom by the CSA CFO on 18 May 2018, we noted that in May 2017, Border Cricket requested a stadium upgrade loan of R3.0 million, which was subsequently granted.

5.16.107. We noted that as at 30 November 2019, Border Cricket had not made any loan repayments to CSA on the R3.0 million loan granted in May 2017.

**5.16.108. LOANS ADVANCED TO ECU FOR STADIUM UPGRADES**

5.16.109. We determined that CSA provided various loans to ECU in respect of stadium upgrade.

5.16.110. The table below reflect a summary of loans advanced to ECU in respect of stadium upgrades:

Date	Description	Original loan	Repayments	Balance
31/05/2017	Stadium upgrade loans	R 3,000,000.00	R 0.00	R 3,000,000.00
31/07/2017	Stadium upgrade loans	R 7,500,000.00	R 0.00	R 7,500,000.00
31/10/2017	Stadium upgrade loans	R 9,000,000.00	R 0.00	R 9,000,000.00
<b>Total as at 29 February 2020</b>		<b>R 19,500,000.00</b>	<b>R 0.00</b>	<b>R 19,500,000.00</b>

5.16.111. It is our understanding that in May 2017, FinCom approved and advanced a R3 million loan to ECU in respect of stadium upgrades.

5.16.112. We noted that ECU requested and were granted a further loan of R7.5 million in July 2017.

5.16.113. We noted that CSA approved an additional loan of R9 million in October 2017 at the request of ECU.

5.16.114. The total amount of loans approved to ECU by CSA for stadium upgrades was R19.5 million.

5.16.115. We noted that as at 29 February 2020, ECU did not make any loan repayments to CSA.

5.16.116. As at 29 February 2020, the total amount owed to CSA by ECU relating to the loans approved for the stadium upgrades was R19.5 million.

#### 5.16.117. LOANS ADVANCED TO FSCU FOR STADIUM UPGRADES

5.16.118. We determined that CSA provided various loans to FSCU in respect of stadium upgrade.

5.16.119. The table below reflect a summary of loans advanced to FSCU in respect of stadium upgrades:

Date	Description	Original loan	Repayments	Balance
07/09/2017	Stadium upgrade loans	R 6,605,863.34	R 0.00	R 6,605,863.34
05/10/2017	Stadium upgrade loans	R 249,821.88	R 0.00	R 249,821.88
17/10/2017	Stadium upgrade loans	R 13,721.04	R 0.00	R 13,721.04

Date	Description	Original loan	Repayments	Balance
23/10/2017	Stadium upgrade loans	R 383,021.94	R 0.00	R 383,021.94
06/11/2017	Stadium upgrade loans	R 1,239,388.16	R 0.00	R 1,239,388.16
14/11/2017	Stadium upgrade loans	R 1,769,530.80	R 0.00	R 1,769,530.80
26/01/2018	Stadium upgrade loans	R 203,434.84	R 0.00	R 203,434.84
<b>Total as at 29 February 2020</b>		<b>R 10,464,782.00</b>	<b>R 0.00</b>	<b>R 10,464,782.00</b>

5.16.120. According to the loan letter of agreement dated 19 May 2017, the CSA FinCom considered and approved FSCU's loan application that was made on 12 May 2017 for an amount of R3.2 million. This loan was repayable over a 10-year period commencing 1 June 2017 and terminating on 31 August 2027.

5.16.121. The purpose of the loan was to assist FSCU to address priority repairs, maintenance, renovation upgrade or refurbishment ("stadium works") that were identified as essential to upkeep the FSCU's stadium to the required standards.

5.16.122. Based on the said loan letter of agreement, FSCU was supposed to make loan repayments of R320,000 per annum to CSA towards the loan of R3.2 million for the first 5 years of a 10-year loan term.

5.16.123. According to the minutes of CSA's FinCom meeting of 18 May 2018, we noted that CSA granted FSCU a further loan amount of R7.0 million in July 2017

5.16.124. We further noted from the said FinCom meeting that CSA granted FSCU a further loan of R264,782 in October 2017.

5.16.125. The total amount of loans approved to FSCU by CSA was R10.5 million for stadium upgrades. The amount of R10.5 million was paid in 7 tranches from the period 7 September 2017 to 26 January 2018 as reflected in the table above.

5.16.126. As at 29 February 2020, FSCU did not make loan repayments to CSA.

#### 5.16.127. LOANS ADVANCED TO GCB FOR STADIUM UPGRADES

5.16.128. Based on documentation reviewed, we determined that CSA advanced various loans to GCB in respect of stadium upgrades.

5.16.129. The table below reflects a summary of loans advanced to GCB:

Date	Description	Original loan	Repayments	Balance
31/05/2017	LED Scoreboards	R 8,635,500.00	R 2,315,545.00	R 6,319,955.00
11/08/2017	Stadium upgrade loans	R 1,200,000.00	R 0.00	R 1,200,000.00
27/09/2017	Stadium upgrade loans	R 506,000.00	R 0.00	R 506,000.00
15/08/2017	Stadium upgrade loans	R 743,000.00	R 0.00	R 743,000.00
<b>Total as at 29 February 2020</b>		<b>R 11,084,500.00</b>	<b>R 2,315,545.00</b>	<b>R 8,768,955.00</b>

5.16.130. According to the loan letter of agreement dated 19 May 2017, the CSA FinCom considered and approved GCB's loan application that was made on 12 May 2017 for an amount of R10 million. The loan was repayable over a 10-year period commencing 1 June 2017 and terminating on 31 August 2027.

5.16.131. The purpose of the loan was to assist GCB to address priority repairs, maintenance, renovation upgrade or refurbishment ("stadium works") that were identified as essential to upkeep the GCB's stadium to the required standards.

5.16.132. We noted that the loan letter of agreement does not states the criteria for the GCB to qualify for the loan granted by CSA to its members.

5.16.133. We noted that CSA granted GCB a further loan amount of R8.6 million for LED scoreboards according to the CFO Paper presented at the FinCom meeting of 18 May 2018.

5.16.134. We noted that CSA FinCom had a meeting on 18 May 2018. Minutes of the said meeting reflect that CFO presented a Paper which relates to CSA advancing a further loan of R2.5 million to GCB in August 2017.

5.16.135. The total amount of loans approved to GCB by CSA was R11.1 million for stadium upgrades. The amount of R11.1 million was paid in 4 tranches from the period 31 May 2017 to 15 August 2017.

5.16.136. As at 29 February 2020, GCB made loan repayments of R2.3 million to CSA towards the loan balance of R11.1 million.

5.16.137. As at 29 February 2020, the total amount owed to CSA by GCB relating to the loan advanced for the stadium upgrades was R8.8 million.

#### 5.16.138. LOANS ADVANCED TO KZN CRICKET UNION FOR STADIUM UPGRADES

5.16.139. We determined that CSA advanced various loans to KZN Cricket Union in respect of stadium upgrades.

5.16.140. The table below reflects a summary of loans advanced to KZN Cricket Union:

Date	Description	Original loan	Repayments	Balance
12/10/2017	Stadium upgrade loans	R 5,749,095.14	R 0.00	R 5,749,095.14
10/01/2018	Stadium upgrade loans	R 1,131,584.14	R 0.00	R 1,131,584.14
15/01/2018	Stadium upgrade loans	R 559,234.13	R 0.00	R 559,234.13
15/03/2018	Stadium upgrade loans	R 1,982,851.73	R 0.00	R 1,982,851.73
<b>Total as at 29 February 2020</b>		<b>R 9,422,765.14</b>	<b>R 0.00</b>	<b>R 9,422,765.14</b>

5.16.141. We noted that CSA FinCom had a meeting on 18 May 2018. Minutes of the said meeting reflect that the CFO presented a Paper which relates to CSA approving a loan of R9.4 million to KZN Cricket Union in May 2017.

5.16.142. According to the minutes of the said meeting, CFO presented a Paper which relates to CSA advancing a further loan of R279,517 to KZN Cricket Union in August 2017.

5.16.143. The total amount of loans approved to KZN Cricket Union by CSA was R9.4 million for stadium upgrades. The amount of R9.4 million was paid in 4 tranches from the period 12 October 2017 to 15 March 2018 as reflected in the table above.

5.16.144. As at 29 February 2020, KZN Cricket Union did not make loan repayments to CSA towards the said loan balance of R9.4 million.

5.16.145. As at 29 February 2020, the total amount owed to CSA by KZN Cricket Union relating to the loan advanced for the stadium upgrades was R9.4 million.

**5.16.146. LOAN ADVANCED TO NCU FOR STADIUM UPGRADES**

5.16.147. We determined from documentation reviewed that CSA advanced various loans to NCU relating to stadium upgrades.

5.16.148. The table below reflects loans advanced to NCU in respect of stadium upgrades:

Date	Description	Original loan	Repayments	Balance
19/05/2017	Stadium upgrade loans	R 8,635,500.00	R 2,560,000.00	R 6,075,500.00
30/10/2019	Stadium upgrade loans	R 4,000,000.00	R 0.00	R 4,000,000.00
<b>Total as at 29 February 2020</b>		<b>R 12,635,500.00</b>	<b>R 2,560,000.00</b>	<b>R 10,075,500.00</b>

5.16.149. We noted that CSA FinCom had a meeting on 18 May 2018. Minutes of the said meeting reflect that the CFO presented a Paper which relates to CSA advancing a loan of R8.6 million to NCU in relation to LED Scorecards. We further noted that CSA did not advance any further loans to NCU for stadium upgrades.

5.16.150. As at 29 February 2020, NCU made loan repayments of R2.6 million to CSA.

5.16.151. We noted that the CFO presented a Paper to FinCom meeting of 20 November 2019 which relates to CSA advancing a loan of R4 million to NCU.

5.16.152. As at 29 February 2020, the total amount owed to CSA by NCU relating to the loans advanced for the stadium upgrades was R10 million.

**5.16.153. LOANS ADVANCED TO NWC FOR STADIUM UPGRADES**

5.16.154. We determined from documentation reviewed that CSA advanced various loans to NWC relating to stadium upgrades.

5.16.155. The table below reflects loans advanced to NWC in respect of stadium upgrades:

Date	Description	Original loan	Repayments	Balance
25/08/2017	Stadium upgrade loans	R 4,100,000	R 0.00	R 4,100,000
08/12/2017	Stadium upgrade loans	R 2,000,000	R 0.00	R 2,000,000
03/03/2018	Stadium upgrade loans	R 1,000,000	R 0.00	R 1,000,000
<b>Total as at 29 February 2020</b>		<b>R 7,100,000</b>	<b>R 0.00</b>	<b>R 7,100,000</b>

5.16.156. According to the Loan Letter of Agreement allegedly prepared on 19 May 2017 and signed in October 2018, FinCom considered and approved a NWC loan request on 12 May 2017 for an amount of R4.1 million. According to the Loan

Letter of Agreement mentioned above, the loan was repayable over 8-year period commencing 1 June 2017 and terminating on 31 August 2025.

5.16.157. The purpose of the loan was to assist NWC to address priority repairs, maintenance, renovation upgrade or refurbishment (“stadium works”) that were identified as essential to upkeep the NWC’s stadium to the required standards.

5.16.158. We noted that NWC was expected to make an annual repayment of R511,250 to CSA from June 2017 until 31 May 2022 in respect of the R4.1 million loan. As per the Loan letter of Agreement dated 19 May 2017, the loan repayment was interest free until 31 May 2022.

5.16.159. On 25 August 2017, CSA transferred an amount of R4.1 million to the NWC as per CSA bank statements.

5.16.160. We noted that the CFO presented a Paper to a FinCom meeting dated 18 May 2018, which presentation relates to inter alia NWC requesting a further loan of R3 million from CSA in August 2017. The further loan was paid in 2 tranches of R2 million and R1 million on 8 December 2017 and 3 March 2018 respectively.

5.16.161. The total amount of stadium upgrade loans advanced to NWC was R7.1 million.

5.16.162. We noted that as at 29 February 2020, NWC had not made any loan repayments to CSA.

5.16.163. As at 29 February 2020, the total amount owed to CSA by NWC, relating to the loans advanced for the stadium upgrades was R7.1 million.

**5.16.164. LOANS ADVANCED TO NCC FOR STADIUM UPGRADES**

5.16.165. Based on documentation reviewed, we determined that CSA advanced various loans to NCC in respect of stadium upgrades.

5.16.166. The table below is a summary of the loans advanced to NCC

Date	Description	Original loan	Repayments	Balance
21/08/2017	Stadium upgrade loans	R 1,094,660.21	R 0.00	R 1,094,660.21
14/11/2017	Stadium upgrade loans	R 418,782.44	R 0.00	R 418,782.44
<b>Total as at 29 February 2020</b>		<b>R 1,513,442.65</b>	<b>R 0.00</b>	<b>R 1,513,442.65</b>

5.16.167. We noted from a loan facility drawdown of 6 November 2017 that NCC applied



for R1.5 million for stadium upgrades. We further noted that CSA did not grant any additional loans to NCC for stadium upgrades.

5.16.168. As at 29 February 2020, NCC did not make any loan repayments to CSA

5.16.169. As at 29 February 2020, the total amount owed to CSA by NCC relating to the loan advanced for the stadium upgrades was R1.5 million.

### **CONCLUSIONS RELATING TO LOANS ADVANCED TO AFFILIATES FOR STADIUM UPGRADES**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

5.16.170. CSA advanced a total of R168,981,187 in stadium upgrades loans to Affiliate Members during the period May 2017 to November 2019.

5.16.171. Total loans repaid by Affiliate Members relating to stadium upgrades to CSA as at 30 November 2019 is R13.9 million, or 8% of the loan advanced to Affiliate Members.

5.16.172. Ninety-two percent (92%) being R155 million of the total loans advanced to Affiliate Members for stadium upgrades remained outstanding as at 30 November 2019.

5.16.173. The total amount of loans for stadium upgrades owed to CSA by the Affiliates as on 30 April 2020, as provided by the CSA CFO, was R150 million following a payment of R5 million by some of the Affiliate Members.

5.16.174. We could not find any indication that there has been an effort by CSA to recover the total debt of R150 million owed by the Affiliate Members.

5.16.175. Although management is adamant that CSA will eventually recover the amount of loans owed to the organisation by Affiliate Members, there seems to be no plan to collect the said outstanding loans.

5.16.176. The CSA Board cannot claim not to have known that the Affiliate Members were not making payments towards the stadium upgrade loans advanced to them by CSA.

5.16.177. The Presidents of the various Affiliates that benefit from the CSA loans sit as CSA Board and Board Committees and approve loans to their Affiliates.

5.16.178. The CSA Board was therefore aware that the Affiliate Members were not making payments towards the loans advanced to them by CSA.

5.16.179. Objectivity in the CSA Board in making decisions relating to the Affiliates may be compromised based on its composition and inclusion of Presidents of the various Affiliate members who also sit in the Members Council.

5.16.180. Regardless of CSA Board issuing a directive to collect the outstanding loans advanced to Affiliates, management failed to do.

#### **RECOMMENDATIONS RELATING TO THE TO LOANS ADVANCED TO AFFILIATES FOR STADIUM UPGRADES**

Based on the findings discussed above, we recommend that CSA considers the following:

5.16.181. Amending the composition of the Board to include more Independent Directors in order to ensure independence and objectivity in respect of matters relating to Affiliates; and

5.16.182. Review the Delegation of Authority document and the Financial Assistance to Affiliates and Associate Members Policy relating to FinCom's authority to approve loans to affiliates.

#### **5.17. EFFECTIVENESS OF INTERNAL CONTROLS**

5.17.1. Internal audit, as one of the assurance service providers to the organisation, remains pivotal to corporate governance. Internal Audit Function has become a trusted advisor that adds value by contributing insight into the activities of the organisation and, as a further enhancement, foresight. This is the ideal positioning that is envisaged for internal audit in King IV.

5.17.2. The internal audit plan for 2016/17 was approved by the AuditCom on the day of the meeting. The internal audit plan was to focus on operation of internal process and internal controls on compliance, finance and governance in relation to Associates, Affiliates and Franchises.

5.17.3. Internal controls on CSA compliance and governance will focus on transformation, strategic communications, IT, HR, coaching education, procurement, commercial, cricket high performance, cricket development, youth development, women's cricket, mini cricket, ticketing, cricket operations, operational excellence, finance, members' finance, legal, secretariat and compliance.

### **Assessment of internal control procedures**

- 5.17.4. CSA is an affiliate of SASCOC and a full member of the ICC and the entity is the national governing body for the sport of cricket in South Africa and administers all aspects of South African cricket, men and women, both in the professional and amateur spheres.
- 5.17.5. CSA is a Non-Profit Company with the intent and purpose that its capital and income, from whatever sources, would be applied solely towards the promotion of its objective and the advancement of cricket in South Africa contributing towards the sustainability and growth of cricket in the regions of its respective Members. CSA is subject to the corporate governance, disclosure and other legal requirements of the Companies Act, No 71 of 2008.
- 5.17.6. CSA's revenue model depended largely on inbound tours (media rights and sponsorships) and ICC distributions, which made up 81 % and 91 % of the organisation's total revenue in 2016/17 and 2017/18 respectively. CSA operates on a four-year financial cycle, with annual budgets prepared and approved within each cycle. The remaining share of revenue was generated from stadium revenue, government and lotto grants.
- 5.17.7. CSA did not own the stadiums where cricket activities took place. CSA shared the income generated by these stadiums according to an agreed model whereby CSA received 20% of the income and the stadium operators (CSA's Members) received 80%.
- 5.17.8. Stadiums generated income from a variety of sources, including suite rentals, season tickets and matchday tickets, hospitality packages, beverage sales, rental earned from concessionary stands, stadium naming rights, in-stadium advertising, licensing and merchandising, and venue hire for non-cricket matches. CSA must ensure that Proteas remain in the top tier of the International Cricket to generate maximum revenue from media rights and sponsorships.
- 5.17.9. CSA was engaging with Members on a regular basis in respect of material stadium upgrades required, as funding these upgrades was a joint responsibility. CSA contributed to the stadiums' maintenance costs annually, which include the upkeep of the field of play, spectator seating and amenities, and the external precinct.
- 5.17.10. CSA's Strategic Operational Model focused on the way amateur and senior

provincial cricket was funded and managed. The funding methodology was activity-based and built around historical management, operational structures and operations driven by CSA's Presidential Plan.

### **Understanding the nature of the CSA's business, its funding model, and the significance of the affiliated members**

#### **Nature of CSA's business and its funding model**

- 5.17.11. We understand that CSA has full membership of the ICC and therefore receives dividends based on the ICC share model.
- 5.17.12. We determined that during the 2016/17, 2017/18 and 2018/19 financial years, CSA received distributions of R149 million, R132 million and R155 million from ICC respectively.
- 5.17.13. We noted that all other sources of CSA revenues increased from 2016/17 to 2017/18 except ICC distribution that decreased from R149 million to R132 million. Proteas dropped rankings in test ranks from position 1 to 2, ODI from position 2 to position 4, and T20 from position 3 to position 6 from 2016/17 financial year to 2017/18 financial year respectively.
- 5.17.14. We understand that the ICC distribution is based on Proteas ranking in a particular point in time. When Proteas achieve higher ranking from a lower ranking, the ICC distribution also increases and vice versa.
- 5.17.15. CSA's total revenue decreased from R1.5 billion in 2017/18 to R929 million in the 2018/19 financial year, largely because of the decline in media rights revenue from R1 billion to R405 million. Retained income reduced from R1 billion to R856 million.
- 5.17.16. Based on the 2018/19 CSA Integrated Report, management indicated that media rights were affected by less Australia, India, and England tours because these tours generate significant media rights revenue.
- 5.17.17. We noted that CSA only improved rankings on T20 from position 6 to position 5 in the 2018/19 financial year compared to 2017/18 financial year, which may have somewhat improved on the amount received from ICC for the said financial year.
- 5.17.18. We noted that CSA spent between 22.7% and 35.4% of their revenue in the 2016/17 to 2018/19 financial years towards Cricket Development expenditure.

### **Significance of affiliates members in relation to CSA**

5.17.19. CSA MOI states that *“Members’ Council” comprises the Affiliate Members (representing the nine geopolitical provinces) who shall have fourteen (14) seats on the Members' Council, allocated as follows:*

- 1.2.22.1. *Eastern Cape - 2 seats, representing Border Cricket Board and Eastern Province Cricket; 1.2.22.2. Free State - 1 seat, representing Free State Cricket Union;*
- 1.2.22.3. *Gauteng - 3 seats, representing Northerns Cricket Union, Gauteng Cricket Board and Eastern Cricket Union;*
- 1.2.22.4. *Limpopo - 1 seat, representing Limpopo Impala Cricket Union;*
- 1.2.22.5. *Mpumalanga - 1 seat, representing Mpumalanga Cricket Union;*
- 1.2.22.6. *Northern Cape - 1 seat, representing Northern Cape Cricket;*
- 1.2.22.7. *North West Province - 1 seat, representing North West Cricket Association;*
- 1.2.22.8. *Kwa-Zulu Natal - 1 seat, representing Kwa-Zulu Natal Cricket Union; and*
- 1.2.22.9. *Western Cape - 3 seats, representing Western Province Cricket Association, Boland Cricket Board and South Western Districts Cricket Board.”*

5.17.20. It is our understanding that although the MOI provides that Kwa-Zulu Natal has 1 seat, they are entitled to at least 2 seats.

5.17.21. Members’ Council is the highest decision-making body at CSA and is made up of the President and Vice-President of CSA as well as all Affiliates Presidents. The Members’ Council sets general policy for CSA.

5.17.22. The following matters are, among other Members’ Council Reserved Matter:

- 5.17.22.1. Amendments to the MOI and CSA Regulations;
- 5.17.22.2. Election and removal of Directors;
- 5.17.22.3. Admission, termination and suspension of Members; and
- 5.17.22.4. Consideration and approval of material changes to the competition structure of the Company’s cricket events.

5.17.23. We noted that from the Members' Council meetings held from 2016 to 2019 financial years under review that the Members' Council was made up of CSA President, CSA Vice-President, 12 Affiliates Presidents and 2 Associate Members Presidents as follows:

No.	Delegates	Membership
1	CSA President	
2	CSA Vice-President	
3	Boland Cricket Board President	Affiliate
4	Border Cricket Board President	Affiliate
5	Easterns Cricket Union President	Affiliate
6	Eastern Province Cricket Board President	Affiliate
7	Free State Cricket Union President	Affiliate
8	Gauteng Cricket Board President;	Affiliate
9	KwaZulu-Natal Cricket Union President	Affiliate
10	Limpopo Cricket Union President	Associate Member
11	Mpumalanga Cricket Union President	Associate Member
12	Northern Cape Cricket Board President	Affiliate
13	Northerns Cricket Union President	Affiliate
14	North West Cricket President	Affiliate
15	South Western Districts Cricket Board President	Affiliate
16	Western Province Cricket Association President	Affiliate

### **Significance of Affiliates based on 2016/17 CSA Integrated Report**

- 5.17.24. Based on the 2016/17 CSA Integrated Report, we noted that the CSA Board consisted of twelve members of which 5 were Affiliates Presidents namely Border Cricket Board President, FSCU President, KZN Cricket Union President, NCC President, and WPCA President.
- 5.17.25. Furthermore, we noted that the WPCA President was committee member of Cricket Committee and Social and Ethics Committee.
- 5.17.26. NCC President was Chairperson of Cricket Pipeline Committee, committee member of Cricket Committee and Remuneration and Human Resources Committee.
- 5.17.27. FSCU President was committee member of Cricket Pipeline Committee, and Social and Ethics Committee.
- 5.17.28. Border Cricket President was committee member of Cricket Committee, Cricket Pipeline Committee, and Remuneration and Human Resources Committee.
- 5.17.29. We noted that the President of KZN Cricket Union served on Cricket Pipeline Committee and Transformation Committee.
- 5.17.30. Boland Cricket Board President served on the Transformation Committee and he attended two of the three committee meetings held during the year under review.
- 5.17.31. The NWC President served on two Board Committees, namely Cricket Pipeline Committee and Transformation Committee. However, we noted that the NWC President did not attend all three Transformation Committee meeting and he managed to attend one of the 3 Cricket Pipeline Committee meetings during the year.

### **Significance of Affiliates based on 2017/18 CSA Integrated Report**

- 5.17.32. Based on the 2017/18 CSA Integrated Report, we noted that the CSA consisted of twelve members of which 5 were Affiliates Presidents namely Border Cricket Board President, FSCU President, KZN Cricket Union President, NCC President, and WPCA President.
- 5.17.33. Furthermore, we noted that the WPCA President was committee member of Cricket Committee and Social and Ethics Committee.
- 5.17.34. NCC President was Chairperson of Cricket Pipeline Committee, committee

member of Cricket Committee and Remuneration and Human Resources Committee.

- 5.17.35. FSCU President was committee member of Cricket Pipeline Committee, and Social and Ethics Committee.
- 5.17.36. Border Cricket President was committee member of Cricket Committee, Cricket Pipeline Committee, and Remuneration and Human Resources Committee.
- 5.17.37. Boland Cricket Board President served on the Transformation Committee and he attended two of the three committee meetings held during the year under review.
- 5.17.38. The NWC President served on two Board Committees, namely Cricket Pipeline Committee and Transformation Committee.
- 5.17.39. We noted that the President of KZN Cricket Union served on Cricket Pipeline Committee and Transformation Committee.

#### **Significance of Affiliates based on 2018/19 CSA Integrated Report**

- 5.17.40. Based on the 2017/19 CSA Integrated Report, we noted that the CSA consisted of twelve members of which 5 were Affiliates Presidents namely Border Cricket Board President, FSCU President, KZN Cricket Union President, NCC President, and WPCA President.
- 5.17.41. Furthermore, we noted that the WPCA President was committee member of Cricket Committee, Social and Ethics Committee and FinCom.
- 5.17.42. NCC President was Chairperson of Cricket Pipeline Committee, committee member of Cricket Committee and Remuneration and Human Resources Committee. NCC President resigned from the CSA Cricket Committee and Remuneration and Human Resources Committee on 8 September 2018.
- 5.17.43. FSCU President was committee member of Cricket Pipeline Committee, and Social and Ethics Committee.
- 5.17.44. Border Cricket President was committee member of Cricket Committee, Cricket Pipeline Committee, and Remuneration and Human Resources Committee.
- 5.17.45. Boland Cricket Board President served on the Transformation Committee and FinCom.
- 5.17.46. The NWC President served on two Board Committees, namely Cricket Pipeline Committee and Transformation Committee.



5.17.47. We noted that the President of KZN Cricket Union served on Cricket Pipeline Committee and Transformation Committee.

### **Assessment of whether CSA's control environment was strong during the years under review**

#### **Budgetary controls**

5.17.48. CSA prepares budgets and operates its business on the basis of a 4-year financial planning cycle. When budgeting CSA aimed to have an aggregate break-even position or better over the four-year cycle. For our investigation's purposes, we reviewed the four-year financial plan from 1 May 2014 to 30 April 2018 and the four-year financial plan from 01 May 2018 to 30 April 2022.

5.17.49. In the first four-year financial plan cycle that ended 30 April 2018, we reviewed financial years ended 30 April 2016, 30 April 2017 and 30 April 2018. In the second four-year financial plan cycle from 01 May 2018 to 30 April 2022, we have reviewed only the financial year ended 30 April 2019. We did not review the financial information for the year ended 30 April 2020 as it was not yet audited. We however reviewed financial information like bank statements and loans advanced by CSA to affiliates for the period 1 May 2019 to 30 November 2019.

5.17.50. On 12 February 2016, the FinCom approved the budgeted Dollar / Rand exchange rate from \$1 = R9 to \$1 = R12 in the 2016/17, the budget 2016/17, the updated 4-year financial plan (2014/15 to 2017/18 financial years), and the basis of preparation of the budget and the 4-year financial plan.

5.17.51. We noted from exchange-rates.org website that the US Dollar / ZAR rates from 1 May 2016 to 30 April 2017 averaged \$1 = R13.

5.17.52. Minutes of FinCom meeting of 12 April 2016 reflect that Von Zeuner raised concerns regarding the budget, forecasts and supporting explanations, specifically with the fact the CSA was budgeting a loss for the 2016/17 financial year. He further stated that management should revisit the budget in order to scrutinise to strive for break-even point budget.

5.17.53. There was another FinCom meeting of 13 July 2016 wherein the committee supported management's assessment that CSA would continue to be a going concern in the 12 months based on the audited financial statements ended 30 April 2016.

5.17.54. We noted that the statement of financial performance's actual figures as per 2018/19 CSA Integrated report were as follows:

Description	2016 R'000	2017 R'000	2018 R'000	2019 R'000
Revenue	R822,927	R674,935	R1,526,393	R929,492
Expenses	(R777,047)	(R910,392)	(R1,219,049)	R1,215,801
Financial income	R61,280	R76,647	R42,655	R86,294
<b>Net surplus / (deficit)</b>	<b>R107,159</b>	<b>(R158,810)</b>	<b>R349,999</b>	<b>R2,231,587</b>

5.17.55. We noted that there was an error on the 2018/19 calculation reflected in the table above. We calculated the actual figures from the audited financial statements from 1 May 2015 to 30 April 2019 as follows:

Description	2016 R'000	2017 R'000	2018 R'000	2019 R'000
Revenue	R822,927	R674,935	R1,526,393	R929,492
Expenses	(R777,047)	(R910,392)	(R1,219,049)	(R1,215,801)
Financial income	R61,280	R76,647	R42,655	R86,294
<b>Net surplus / (deficit)</b>	<b>R107,160</b>	<b>(R158,810)</b>	<b>R349,999</b>	<b>(R204,015)</b>

5.17.56. We noted that the actual figures for the year ended 30 April 2019 per CSA integrated report were not correctly calculated due to the expenses line item being added to the revenue instead of being deducted.

5.17.57. In the 2018 financial year, CSA budgeted for revenue of R1.46 billion; which was less than the actual revenue of R1.52 billion which represented 25% variance between budgeted figures and actual figures.

5.17.58. We further noted that in the year ended 30 April 2019, CSA underbudgeted the

expenses of R963 million by 26% compared to the actual expenses of R1.22 billion.

- 5.17.59. The budgeted financial income of R42 million was same as the actual figures for the year ended 30 April 2018.
- 5.17.60. CSA budgeted for a net profit of R539 million and the actual net profit achieved was R350 million.
- 5.17.61. We noted that CSA's budgeted revenue of R742 million compared to actual revenue of R929 billion which represented only 4% variance between budgeted figures and actual figures.
- 5.17.62. We further noted that in the year ended 30 April 2019, CSA underbudgeted the expenses of R975 million by 25% compared to the actual expenses of R1.22 billion.
- 5.17.63. The budgeted financial income of R45 million compared to actual figures of R86 million for the year ended 30 April 2019.
- 5.17.64. CSA budgeted for net loss of R187 million and the actual net loss realised was R204 million.

#### **Effectiveness and functionality of CSA Internal Audit Unit**

- 5.17.65. CSA subscribes to King IV on Good Corporate Governance and Practices.
- 5.17.66. According to King IV Report on Good Corporate Governance, the Internal Audit Function should be properly staffed.
- 5.17.67. CSA Internal Audit Function never had more than one employee at a particular point in time over the past four years under review.
- 5.17.68. King IV Report does not require a Chief Audit Executive (CAE) as part of the arrangements for internal audit. Instead, Principle 15, paragraph 51 of King IV Report, states that if an organisation decides to appoint a CAE, this individual should function independently from management and should have the competence and skills that are deemed necessary to perform his or her duties.
- 5.17.69. The governing body should ensure that the organisation has effective assurance services and functions based on the combined assurance model, which enables an effective internal control environment in the organisation.
- 5.17.70. The combined assurance model should be designed and implemented to address the significant risks and the material effects of the risks in the

organisation in terms of Principle 15, paragraph 41 as per King IV Report.

- 5.17.71. The combined assurance model includes service providers such as the independent external auditors, internal auditors, specialists involved in the risk management of the organisation, and other assurance providers that focus on sustainability and environmental matters, actuaries and external fraud investigators in terms of Principle 15, paragraph 42 of King IV report.
- 5.17.72. The audit committee's oversight over the arrangements for assurance services and functions contribute to ensuring that an effective control environment is enabled, supporting the integrity of information used for internal decision-making, as well as the integrity of external reports issued by the organisation as per Principle 15, paragraph 40 of King IV report.
- 5.17.73. Principle 15, paragraph 50 of King IV report states that the internal audit charter should ensure that the internal audit function has the necessary skills and resources to address the complexity and the volume of risk the organisation faces. The Internal Audit Function should also be supported by specialist services such as forensic fraud examiners and auditors, safety assessors and statutory actuaries.
- 5.17.74. CSA did not comply with the combined assurance model. CSA did not comply with Principle 15, paragraph 50 of King IV Report, as the CSA Internal Audit function was understaffed.
- 5.17.75. Based on CSA Integrated Report for the 2018/19, CSA noted incidents of non-compliance with the King IV report. They noted principle 7,8 and 9 as areas of non-compliance with King IV.
- 5.17.76. The AuditCom and management reported in the 2017/18 CSA Integrated Report that CSA complied with the combined assurance model. We noted from the said CSA Integrated Report that CSA appointed the internal auditor on 1 October 2017.
- 5.17.77. On consultation with Van Rensburg, we noted CSA Internal Audit Function never had more one employee at a particular point in time over the past four years under reviewed (2016 - 2019).
- 5.17.78. We noted that CSA did not record non-compliance with principle 15, paragraph 50 of King IV report, as the CSA internal audit function did not have resources to address the volume of risks that CSA is facing.

- 5.17.79. According to Van Rensburg, the Internal Audit Unit of the CSA was not headed by the CAE over the past four years under review.
- 5.17.80. Failure of CSA to ensure that the Internal Audit Unit was headed by a CAE, resulted in the Unit reporting to the CFO and AuditCom for operations and functionality respectively for the past four years.
- 5.17.81. We noted that Moroe wrote a letter to CSA staff members on 21 December 2017. In the said letter Moroe wrote *inter alia* the following relating to the findings of the Internal Audit report dated 22 November 2017:
- 5.17.81.1. There was lack of governance;
  - 5.17.81.2. There was no project and risk management plan;
  - 5.17.81.3. CSA procurement policy was not adhered to;
  - 5.17.81.4. Budget was not prepared and submitted to the board for approval;  
and
  - 5.17.81.5. The recruitment and selection policy was not followed.
- 5.17.82. Moroe further indicated that the report recommended that action be taken against the affected officials, in particular the responsible heads of departments.
- 5.17.83. There is no indication that Moroe, as the CEO, took any action against the heads of departments regardless of highlighting the said fact in his letter as reflected above.
- 5.17.84. We noted that Khan, chairperson of FinCom chaired the combined AuditCom and FinCom meeting held on 12 July 2019 in the absence of an Audit and Risk Chairperson. According to the minutes of the said combined meeting, Khan informed committee members that the process to appoint an internal auditor had started.
- 5.17.85. According to the minutes of the AuditCom dated 4 December 2019, the Internal Auditor resigned at the end of April 2019 and as a result, the function of internal audit had not been operational since April 2019.
- 5.17.86. We further noted that the Committee raised concerns that the position of Internal Audit remained vacant from April 2019 to 4 December 2019 and no action had been taken to fill the vacancy.
- 5.17.87. We could not find any evidence that a process of appointing an internal auditor had started as alluded by Khan during the combined AuditCom and FinCom

meeting held on 12 July 2019.

5.17.88. As at date of this report, CSA had filled the position of Internal Auditor.

**All category 1 and category 2 internal and external audit findings**

5.17.89. CSA entered into an agreement with the South African Cricketers' Association (SACA) over a period of 4 years (in line with the 4-year cricketing cycle). The agreement required CSA to make certain payments to SACA based on a pre-determined set of criteria. The payments are agreed upon upfront based on budgeted revenue figures for the 4-year cycle. The current MOU14 period is 2015 - 2018.

5.17.90. Where the actual payments made to SACA are greater than the required payments as per the budgeted revenue, a receivable from SACA would arise.

5.17.91. The external auditors made a significant finding on SACA accrual against this background that *“As at 30 April 2016, CSA reflected an asset of R12 million (2015: R12 million) as a receivable with respect to MOU14. In the current year no monies were recouped to reduce the payable to SACA.”*

5.17.92. The external auditors recommended that *“The Audit and Finance Committee are required to resolve that CSA expects the full amount to be recovered in the future.”*

5.17.93. On 13 July 2016, the committee approved SACA's request to repay the R12 million sundry debtor in equal instalments of R4 million per year commencing from the year ended 2015/16 and ending 2017/18 in resolving the external audit finding that was raised by the external auditors in the year ended 30 April 2016.

5.17.94. We noted from the External Audit Management Letter Reports for the years ended 30 April 2016 and 30 April 2017 that the CSA management resolved the external audit findings before the audit of the next financial year.

5.17.95. The external auditors noted fraudulent purchases from suppliers to the value of R2.4 million was made by CSA staff member for the year ended 30 April 2017. Appiah assured external auditors that CSA will endeavor to recover the loss and a criminal case would be opened against the perpetrator.

5.17.96. The internal audit report included as part of the Special Board Meeting Pack dated 20 December 2017 indicated that there was no confirmation of the RFP process being followed for the spend exceeding R1 million for several service providers.

- 5.17.97. The expenditure of R43.27 million for T20 GL Project was not approved by FinCom as there was no approved budget.
- 5.17.98. The internal audit report further stated that the expenditure was not approved by FinCom as there was no approved budget for T20 GL projects for the following suppliers:
- 5.17.98.1. R21 million for Ortus International;
  - 5.17.98.2. R6.825 million for Radiant Studios;
  - 5.17.98.3. R4.832 million for Fleishman Hillard (Pty) Ltd;
  - 5.17.98.4. R3.958 million for Lagardère Sports and Entertainment;
  - 5.17.98.5. R2.892 million for Sport Interactive;
  - 5.17.98.6. R2.725 million for Canvas Events; and
  - 5.17.98.7. R1.043 million for Gallo Images.
- 5.17.99. The External Audit Management Reports for the years ended 30 April 2018 showed that VAT returns were not completed correctly in relation to capital goods purchased.
- 5.17.100. The external auditors raised the issue of VAT returns that were not completed correctly in relation to acquisition of capital goods again in the year ended 30 April 2019.

### **Conclusions on effectiveness of internal controls**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

- 5.17.101. The Internal Audit and Risk Manager position did not function independently from the management, in particular CFO, and the position did not carry the necessary authority to act independently of the management.
- 5.17.102. The CSA had no effective internal audit unit for the past four years.
- 5.17.103. Moroe and AuditCom failed to ensure that CSA Internal Audit Unit was properly constituted and complied with King IV.
- 5.17.104. There is no indication that Moroe acted on, alternatively ensures that the relevant persons at CSA acted on internal audit findings relating to:
- 5.17.104.1. Lack of governance;

5.17.104.2. Absence of project and risk management plan;

5.17.104.3. Failure to adhere to CSA procurement policy;

5.17.104.4. Failure to prepare and submit budgets to CSA Board for approval;  
and

5.17.104.5. Failure to follow CSA recruitment and selection policy.

5.17.105. The CSA management did not take action on external auditors finding relating to VAT in the years ended 30 April 2018 as the external auditors raised the same finding in the year ended 30 April 2019.

## 5.18. EXAMINE PAYMENTS RELATED TO TAX AND VAT LIABILITY

### Submissions and Payments relating to VAT

5.18.1. We noted that CSA purchased fixed assets (defined as capital goods in terms of VAT Act) during the years under review. We further determined from the VAT returns ("VAT201") that CSA did not record the capital goods separately to claim input VAT on inter *alia* the following VAT returns in compliance with requirements of VAT Act:

Date of purchase	Asset code	Asset description	Amount
05/04/2016	SE001	Field top maker	R641,418.07
05/04/2016	SE002	New Holland Boomer	R509,512.30
<b>Total: April 2016 VAT return</b>			<b>R1,150,930.37</b>

Date of purchase	Asset code	Asset description	Amount
01/05/2016	OE0066	Samsung 55 Smart Curved UH	R33,331.58
24/05/2016	OE0067	Samsung 55 Smart Curved T	R16,665.79



Date of purchase	Asset code	Asset description	Amount
<b>Total: May 2016 VAT return</b>			<b>R49,997.37</b>

Date of purchase	Asset code	Asset description	Amount
07/06/2016	CE323	Dell Latitude E5470	R54,424.00
08/06/2016	CE344	Latitude E7240 - David	R25,548.50
30/06/2016	CE311	CSA Cloud Server	R30,767.00
30/06/2016	CE337	Microsoft Office 365-464	R1,314,512.00
<b>Total: June 2016 VAT return</b>			<b>R1,425,251.50</b>

Date of purchase	Asset code	Asset description	Amount
29/07/2016	CE338	Microsoft Office 365-15	R46,200.00
30/07/2016	CE312	CSA Cloud Server	R30,767.00
<b>Total: July 2016 VAT return</b>			<b>R76,876.00</b>

Date of purchase	Asset code	Asset description	Amount
11/08/2016	CE0068	Indoor Cameras - CCTV	R22,783.94
23/08/2016	CE334	Card Printer-Darryl	R29,350.00

30/08/2016	CE336	Dell Latitude E7470 - CB	R22,457.00
31/08/2016	CE313	CSA Cloud Server	R30,767.00
<b>Total: August 2016 VAT return</b>			<b>R105,357.94</b>

Date of purchase	Asset code	Asset description	Amount
14/09/2016	CE346	Dell Latitude E5470 - Edward K	R22,748.70
29/09/2016	CE339	Microsoft Office 365-15	R45,390.00
30/09/2016	CE314	CSA Cloud Server	R30,767.00
<b>Total: September 2016 VAT return</b>			<b>R144,296.40</b>

Date of purchase	Asset code	Asset description	Amount
12/10/2016	CE345	Dell E4570 - Thoko	R19,238.70
12/10/2016	MV0001	Carry All-Golf cart CoE	R138,500.00
31/10/2016	CE315	CSA Cloud Server	R30,767.00
31/10/2016	CE343	Dell Intel Core 17-Daryl	R26,307.02
<b>Total: October 2016 VAT return</b>			<b>R214,812.90</b>

Date of purchase	Asset code	Asset description	Amount
02/11/2016	CE340	Microsoft Office 365-15	R45,720.00

Date of purchase	Asset code	Asset description	Amount
30/11/2016	CE316	CSA Cloud Server	R30,767.00
<b>Total: November 2016 VAT return</b>			<b>R76,487.00</b>

Date of purchase	Asset code	Asset description	Amount
06/12/2016	CE333	Latitude E5470 - Kim	R18,198.70
31/12/2016	CE317	CSA Cloud Server	R30,767.00
<b>Total: December 2016 VAT return</b>			<b>R48,965.70</b>

Date of purchase	Asset code	Asset description	Amount
09/01/2017	CE341	Microsoft Surface - Siphokazi	R29,994.00
17/01/2017	CE342	MacBook - Dr Moosajee	R25,498.00
31/01/2017	CE318	CSA Cloud Server	R37,312.00
<b>Total: January 2017 VAT return</b>			<b>R92,804.00</b>

Date of purchase	Asset code	Asset description	Amount
17/02/2017	CE324	Dell Latitude E5470	R18,198.70
21/02/2017	CE322	MacBook 13 1.6 GHz	R19,999.00
28/02/2017	CE319	CSA Cloud Server	R37,312.00

<b>Total: February 2017 VAT return</b>	<b>R75,509.70</b>
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<b>Date of purchase</b>	<b>Asset code</b>	<b>Asset description</b>	<b>Amount</b>
01/03/2017	CE325	Dell XPS13-CEO	R26,314.91
23/03/2017	CE326	Latitude 3470 - Nandile	R13,518.70
31/03/2017	CE320	CSA Cloud Server	R37,312.00
<b>Total: March 2017 VAT return</b>			<b>R77,145.61</b>

<b>Date of purchase</b>	<b>Asset code</b>	<b>Asset description</b>	<b>Amount</b>
30/04/2017	CE321	CSA Cloud Server	R37,312.00
<b>Total: April 2017 VAT return</b>			<b>R37,312.00</b>

- 5.18.2. We noted that VAT returns for April 2016, May 2016, June 2016, 31 July 2016, September 2016, and October 2016 were submitted by Gubevu.
- 5.18.3. We noted that VAT returns for August 2016, November 2016, December 2016, January 2017, February 2017, March 2017 and April 2017 were submitted by Lehlohonolo Xaba (“Xaba”), CSA HR and Payroll Accountant.
- 5.18.4. We noted that CSA correctly completed the VAT return for May 2017 only as there was no purchases of assets during that month according to the CSA fixed asset register.
- 5.18.5. We noted that CSA purchased fixed assets (defined as capital goods in terms of VAT Act) during the year ended 30 April 2018. We further noted that CSA did not record the capital goods separately on VAT returns to claim input VAT from 01 June 2017 to 30 April 2018 as required by VAT Act.
- 5.18.6. The total amount of the purchases for capital goods that CSA did not record separately on VAT returns to claim input VAT was R86 million during the year

under review.

- 5.18.7. We noted that VAT returns for June 2017, July 2017, and October 2017 were submitted by Xaba.
- 5.18.8. We noted that VAT returns for August 2017, September 2017, November 2017, December 2017, January 2018, February 2018, March 2018 and April 2018 were submitted by Cookie Ngobeni (“Ngobeni”), CSA Financial Administrator.
- 5.18.9. We noted that CSA purchased fixed assets (defined as capital goods in terms of VAT Act) during the year ended 30 April 2019. We further noted that CSA did not record the capital goods separately on all VAT returns for the year ended 30 April 2019.
- 5.18.10. The total amount of the purchases for capital goods that CSA did not record separately on VAT returns to claim input VAT was R7.2 million during the year under review.
- 5.18.11. We noted that there were twelve VAT returns for the year ended 30 April 2019. The total of the said VAT returns was R62,435,856.13. We noted that the said VAT returns were submitted by Ngobeni.
- 5.18.12. We noted that submission dates were not shown as per VAT returns for 3 months in the financial year ended 30 April 2019.
- 5.18.13. Appiah failed to identify that the VAT returns were properly completed between the period 1 May 2016 to January 2018.
- 5.18.14. Nkuta failed to identify that the VAT returns were properly completed between the period February 2018 to June 2019.
- 5.18.15. We noted that CSA made payments to SARS for CSA’s VAT obligations on time.
- 5.18.16. We noted CSA made payments in relation to VAT on Notice of Third-Party appointments instructed from SARS instructing CSA to pay on behalf of Border Cricket:

Date	Description	Amount
15/11/2019	VAT	520,450.22
04/02/2020	VAT	611,930.10
<b>Total amount</b>		<b>1,132,380.32</b>

5.18.17. During consultation with Van Rensburg, she indicated that CSA recovered the said amounts in the table above directly from monthly grants allocated to Border Cricket.

5.18.18. According to Van Rensburg, the payment to SARS was approved by Moseki.

5.18.19. Appiah did not comply with requirements of VAT Act in completing VAT201 in claiming input VAT on capital goods. CSA must complete VAT201 correctly to avoid possible fines and penalties imposed by SARS.

#### **Payments relating to the Income Tax**

5.18.20. We noted the following differences between PAYE returns submitted to SARS and the actual payments made as per bank statements for the years under review:

Tax period	Declaration date	Liability	Payment	Difference	Payment reference number
201603	31/03/2016	R2,443,232.80	R2,442,732.80	R500.00	7230746184LC2016039
201604	29/04/2016	R3,143,064.56	-3,142,564.56	R500.00	7230746184LC2016041
201605	31/05/2016	R4,669,809.70	R4,669,309.70	R500.00	7230746184LC2016053
201606	30/06/2016	R2,516,308.92	R2,515,808.92	R500.00	7230746184LC2016065
201608	31/08/2016	R2,907,254.08	R2,906,754.08	R500.00	7230746184LC2016089
201609	03/10/2016	R2,979,557.74	R2,979,057.74	R500.00	7230746184LC2016091
201610	28/10/2016	R3,289,888.18	R3,287,388.13	R2,500.05	7230746184LC2016104
201611	30/11/2016	R3,064,379.36	R3,062,379.36	R2,000.00	7230746184LC2016116

Tax period	Declaration date	Liability	Payment	Difference	Payment reference number
201612	22/12/2016	R3,174,420.06	R3,173,386.84	R1,033.22	7230746184LC2016128
201701	31/01/2017	R3,622,193.85	R3,619,693.85	R2,500.00	7230746184LC2017017
201702	28/02/2017	R3,394,182.02	-3,392,682.02	R1,500.00	7230746184LC2017029
<b>Total</b>		<b>R35,204,291.27</b>	<b>R35,191,758.00</b>	<b>R12,533.27</b>	

5.18.21. We determined that CSA had overall shortfall of R12,533.27 as per the table above on the payment of PAYE liability between 31 March 2016 and 28 February 2017.

5.18.22. Based on Employer Reconciliation Statement from SARS, we noted that SARS credited CSA with the difference in each month with Employer Tax Incentive for hiring young job seekers in accordance with Act No. 26 of 2013 (the ETI Act) and read in conjunction with the Fourth Schedule to the Income Tax Act, No. 58 of 1962.

5.18.23. We noted CSA made payments in relation to PAYE on Notice of Third-Party appointments instructed from SARS instructing CSA to pay on behalf of Border:

Date	Description	Amount
15/11/2019	PAYE	25,601.42
15/11/2019	UIF	30,129.34
15/11/2019	PAYE	380,456.18
04/02/2020	PAYE	331,487.26
04/02/2020	PAYE	30,358.95
04/02/2020	SDL	27,432.25
21/02/2020	PAYE	24,671.87
<b>Total</b>		<b>850,137.27</b>

5.18.24. During consultation with Van Rensburg, she indicated that CSA recovered the said amounts in the table above directly from Border Cricket.

### **Conclusions relating to VAT payments**

Based on documentation reviewed and consultations conducted with CSA officials and third parties, we conclude as follows:

- 5.18.25. Appiah and Nkuta did not comply with the requirements of VAT Act in completing VAT201 in claiming input VAT on capital goods. CSA must complete VAT201 returns correctly to avoid possible fines and penalties imposed by SARS.
- 5.18.26. Moseki approved a payment of R1 132 380,32 to SARS on behalf of Border Cricket based on Notice of Third Party Appointments from SARS.
- 5.18.27. CSA recovered the amount of R1 132 380.32 from Border Cricket a month after the payment was made to SARS on their behalf.

### **Payments relating to Income Tax**

- 5.18.28. According to the Integrated Report for the periods 2017, 2018 and 2019, no income tax liability was accounted for as CSA estimated that all of its revenue received and accrued will be spent towards the development of sports, directly or indirectly, by virtue of the nature of their business.
- 5.18.29. The treatment of not providing for income tax liability is permissible in terms of section 24E of the Income Tax Act.
- 5.18.30. All CSA income tax returns (including provisional tax returns) are up to date, and were in compliance with Income Tax Act.
- 5.18.31. CSA made payments in relation to Income Tax on Notice of Third-Party appointments from SARS instructing CSA to pay R12,238.05 on behalf of Border Cricket. Based on our analysis of CSA bank statements, we noted that CSA made payment of the said income tax liability of R12,238.05 on 28 June 2019.

## **5.19. EXPENDITURE OF A CAPITAL NATURE**

### **Land and buildings**

- 5.19.1. On 4 December 2015, the FinCom made recommendation to the CSA Board to approve a project to acquire the premises located at 21 North Street, Illovo, Johannesburg and to commence with a revamp and expansion of the premises to meet CSA current and future office needs.
- 5.19.2. On 9 December 2015, CSA Board resolved that CSA acquires office premises located at 21 North Street, Illovo, Johannesburg for R10 million from the



Wanderers Club and expand the said office premises at a total estimated project cost of R32 million. The CSA Board resolved that the FinCom would oversee the project.

- 5.19.3. Subsequently Appiah and Lorgat in their capacity as CFO and CE respectively highlighted management's request to the FinCom members in a meeting dated 13 July 2016, to increase the budget by R28 million in order to purchase and develop the new CSA Office Premises.
- 5.19.4. The committee members supported the recommendation to the CSA Board of Directors to approve the increased budget by R28 million to R70 million in order to purchase and develop the new CSA office premises located at Corner 5<sup>th</sup> Avenue and Glenhove Street, Melrose Estate.
- 5.19.5. On 6 December 2016, Lorgat and Appiah presented a Paper: Further Update on CSA Office Building Proposal to AuditCom stating that *"FinCom having previously approved the R70m has now been requested to approve an additional amount of R15m (R3m for Building and R12m for installations, furniture and fixtures) for a turnkey owned development which will include ownership of the land and a premises with significantly bigger office space."*
- 5.19.6. The purpose of the Paper: Further Update on CSA Office Building Proposal was to request AuditCom to support the budget increase of R15 million to purchase and develop the new CSA office premises and recommend same to the CSA Board for approval.
- 5.19.7. On 6 January 2017, the CSA Board approved additional funding of R15 million to purchase a larger office building. The CSA Board noted that the budget for the CSA Office Building increased from R70 million to the total budget of R85 million.
- 5.19.8. Lorgat presented the Chief Executive's Report dated 24 January 2017 to the CSA Board meeting held on 27 January 2017 informing the CSA Board that the CSA management have secured an office building that was under construction on the corner of Glenhove and 5th Avenue, ERF 98, Melrose Township measuring 2,970 square metres. He further informed the CSA Board that CSA employees will move in around August 2017.
- 5.19.9. On 22 June 2017, ownership of CSA's new office building was transferred into CSA's name from the property developer and the building capitalised at R84.3 million as per the FinCom meeting dated 22 November 2017.

- 5.19.10. We agreed the purchase price of R76.1 million excluding VAT for the purchase of ERF 98 Melrose Estate. The property was purchased from Early Moon Trading 504 (Pty) Ltd on 22 June 2017.
- 5.19.11. Part of the purchase price was paid through an Investec loan facility of R28.6 million, and the balance was paid by cash. Early Moon Trading 504 (Pty) Ltd sold the property to CSA on 15 December 2016 and the title deed was registered in the name of CSA on 22 June 2017.
- 5.19.12. Based on the FinCom meeting held on 22 November 2017, Maja and Ndumndum presented Paper on Office building completion and occupation. The said paper reported that FinCom approved an office building budget of R85 million. The budget took into account the cost of furniture and fittings relating to the ground and first floor of the building and with the second floor not occupied.
- 5.19.13. The Office Building was identified in December 2016 for sale at R76 million excluding VAT with the building process already underway.
- 5.19.14. FinCom approved an office building budget of R85 million, having considered the costs of furniture and fittings for what was deemed adequate for a move-in ready building at the time, with the second floor as general, unoccupied space.

#### **Computer software**

- 5.19.15. Based on documentation reviewed and consultation with Van Rensburg, we determined that the budget for Capital Expenditure including IT Capital related costs were approved by FinCom.
- 5.19.16. On 30 June 2016, Lombard wrote an email to Appiah informing him that Manpower SA (Pty) Ltd approved a discount on CSA's pending order via Forest Technologies (Pty) Ltd.
- 5.19.17. On the said email, Lombard informed Appiah that the Microsoft license was expiring on the same day.
- 5.19.18. On 30 June 2016, Appiah responded to Lombard's email and copied Jackson approving the order via email.
- 5.19.19. On 30 June 2016, Forest Technologies (Pty) Ltd issued invoice number IN015233 for Microsoft license to an amount of R1.3 million excluding VAT.

### **Furniture and Fittings**

- 5.19.20. We determined that the budget for Furniture and Fittings was approved by the CSA Board on 6 January 2017.
- 5.19.21. On 24 July 2017, Giant Leap empowered Workspace (Pty) Ltd issued invoice number INA20525 for an amount of R4.3 million excluding VAT to CSA for the supply of furniture and fittings.

### **Computer equipment**

- 5.19.22. Dell latitude laptops were capitalized in the fixed asset register on 30 November 2016.
- 5.19.23. Xaba requested eight new laptops for new CSA interns on 12 December 2016, and the requisition form was approved by the IT department on the same date.
- 5.19.24. On 31 January 2017, Info2Cloud ICT Systems and Consulting Services (Pty) Ltd issued invoice number INV000015 for the supply of 7 Dell Latitude laptops to CSA for an amount of R108,773. Info2Cloud ICT Systems and Consulting Services (Pty) Ltd did not charge VAT and the supplier's invoice did not have VAT number for the supplier.

### **Office equipment**

- 5.19.25. Phillips prepared purchase order number CricketSA6218 that was approved by Nkuta and Van Rensburg on 7 May 2018 for the purchase of electric sliding door from GIS Associates CC.
- 5.19.26. On 8 May 2018, GIS Associates issued invoice number GIS01301017 for R116,898 representing 50% of the total invoice amount of R233,796.
- 5.19.27. GIS issued final invoice on 11 June 2018 with the same invoice number for the remaining balance of R116,898 excluding VAT.
- 5.19.28. On 31 July 2018, Maja requested to purchase smoke detectors units, sounders, and smoke detection break glass from Canie Junior Fire and Security Systems through purchase order number CricketSA8023 for an amount of R257,190 excluding VAT.
- 5.19.29. The said purchase order was approved by Nkuta as line manager and Van Rensburg as cost centre approver.
- 5.19.30. On 26 September 2018, Cane Junior Fire and Security Systems issued invoice number 999000 to CSA addressed to Maja for an amount of R257,190 excluding

VAT for the supply and installation of smoke detectors, smoke detection sounders, and smoke detection break glass, and heat smoke detection.

- 5.19.31. Cane Junior Fire and Security Systems incorrectly calculated the total amount of R257 190 excluding VAT as follows:

Description	Quantity	Unit price	Total
Smoke detector units	20	R6,988	R139,760
Smoke detection sounders	2	R7,600	R15,000
Smoke detection break glass	2	R7,480	R14,960
Heat smoke detector	1	R8,970	R8,970
Labour and installation	1	R39,000	R39,000
Meter smoke detection cable	1000	R39.50	R39,500
<b>Total excluding VAT</b>			<b>R257,190</b>

- 5.19.32. We calculated the total amount of each line item per unit price supplied by Crane Junior Fire and Security Systems, and determined that the correct total amount could have been R257,390 excluding VAT:

Description	Quantity	Unit price	Total
Smoke detector units	20	R6,988	R139,760
Smoke detection sounders	2	R7,600	R15,200
Smoke detection break glass	2	R7,480	R14,960
Heat smoke detector	1	R8,970	R8,970
Labour and installation	1	R39,000	R39,000

Description	Quantity	Unit price	Total
Meter smoke detection cable	1000	R39.50	R39,500
<b>Total excluding VAT</b>			<b>R257,390</b>

5.19.33. In terms of IAS 16, an entity is expected to capitalise *any costs directly attributable* to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (IAS 16.16(b)).

5.19.34. In the paragraph 17 of IAS 16 there are examples of what expenses are considered to be directly attributable and therefore, *can be capitalized* (or included in the cost of an asset):

5.19.34.1. Costs of employee benefits arising directly from the construction or the acquisition of the item of PPE;

5.19.34.2. Costs of site preparation;

5.19.34.3. Initial delivery and handling costs;

5.19.34.4. Installation and assembly costs;

5.19.34.5. Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition;

5.19.34.6. Professional fees;

5.19.35. CSA did not capitalize the labour and installation cost and the cost of meter smoke detection cable of R39,000 and R39,500 in their fixed asset register on 26 September 2018 respectively.

## 5.20. STRUCTURE OF THE BOARD

5.20.1. We determined that Cricket South Africa is a non-profit company which is governed by the Memorandum of Incorporation which was first adopted on 23 April 2013.

5.20.2. The Memorandum of Incorporation had been amended four times, with the latest amendment being on 2 February 2019.

5.20.3. We determined that Cricket South Africa has a two-tier governance structure, being the Members' Council and the Board. We understand that the Members'

Council is the highest decision-making authority. According to the 2018/19 Integrated report “*CSA is ultimately governed by the Members’ Council*” (page 76) and is “*the highest decision-making body*” (page 79).

5.20.4. According to clause 17.28 of the Memorandum of Incorporation, the following matters shall be considered by the Members’ Council at Members’ Council Meetings:

17.28.1 *Amendments to the MOI and CSA Regulations;*

17.28.2 *Consideration and approval of the Company’s vision, mission and values;*

17.28.3 *Ratification of the Company’s strategy as proposed by the Board;*

17.28.4 *Election and removal of Directors;*

17.28.5 *Admission, termination and suspension of Members in accordance with clause 10;*

17.28.6 *Consideration and approval of material changes to the competition structure of the Company’s cricket events; and*

17.28.7 *Such other matters as may be prescribed by the Companies Act.*

5.20.5. Clause 17.29 of the Memorandum of Incorporation provides that at any Members’ Council Meeting a resolution put to the vote shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll shall be demanded by –

17.29.1 *not less than 5 (five) Persons having the right to vote on that matter; or*

17.29.2 *a Person/s entitled to exercise not less than 1/10th (one tenth) of the total Voting Rights entitled to vote on that matter; or*

17.29.3 *the Chairperson of the Members’ Council Meeting.*

5.20.6. Clause 17.32 of the MOI provides that every resolution of the Members’ Council is either an Ordinary Resolution or a Special Resolution. An Ordinary Resolution, save to the extent expressly provided in respect of a particular matter contemplated in the MOI, shall require to be adopted with the support of more than 50% (fifty per cent) of the Voting Rights exercised on the resolution. A Special Resolution, save to the extent expressly provided in respect of an particular matter contemplated in this MOI, shall require to be adopted with the support of at least 75% (seventy-five per cent) of the Voting Rights exercised on the resolution.

5.20.7. We noted that the number of Directors of the Board are provided for under Clause 19 of the Memorandum of Incorporation as follows:

*Clause 19.1 Unless otherwise determined by the Members' Council, the number of Directors, shall not be less than 12 (twelve), or more than 17 (Seventeen).*

*Clause 19.2 Any failure by the Company at any time to have the minimum number of Directors, does not limit or negate the authority of the Board, or invalidate anything done by the Board or the Company.*

*Clause 19.3 The Members' Council may from time to time by Special Resolution increase or reduce the number of Directors and appoint Alternate Director/s.*

*Clause 19.4 The Board shall consist of at least 5 (five) independent Directors and at least 7 (Seven) Non-Independent Directors, provided that the Company will consider, at an appropriate time, the need to increase the number of Independent Directors to at least 7 (seven), and the number of Non-Independent Directors to at least 9 (nine), provided that the geopolitical boundaries have been taken into account.*

*Clause 19.9 In the event of any vacancy occurring on the Board, the following provisions shall apply-*

*Clause 19.9.1 in respect of a Non-Independent Director, the vacancy shall be filled by the nominee of an Affiliate Member, so nominated for election and appointment at the Members' Council. For the avoidance of doubt, the Alternate Non-Independent Director shall be eligible for election to the Board as a Director; and*

*Clause 19.9.2 in respect of an independent Director, the vacancy shall be filled by a Person nominated by the selection panel for election and appointment at the Members' Council. For the avoidance of any doubt, the Alternate Independent Director shall be eligible for election to the Board as a Director.*

5.20.8. As indicated above, clause 19.4 of the MOI provides that the Board shall consist of at least 5 (five) independent Directors and at least 7 (Seven) Non-Independent Directors.

5.20.9. We determined that during the annual general meeting held on 3 September 2016, Beresford Williams and Fa-eez Jaffar were appointed for their second and final terms as Non-Independent Directors. As per clause 19.11 of the MOI, Non-

Independent Directors are allowed to serve a term of 3 years and are eligible for re-election. A Non-Independent Director is prohibited from serving more than two consecutive terms.

- 5.20.10. We further determined that Tando Ganda was appointed as Non-Independent Director for her first term. CSA did not contravene any of the provisions of the MOI reflected above relating to the appointment of independent and non-independent directors at the time.

#### **EXTENSION OF KHAN AND MOKHOBO'S TERM ON THE BOARD**

- 5.20.11. We determined that during the annual general meeting held on 3 September 2016, Mohamed Iqbal Khan, Dawn Mokhobo and Louis Von Zeuner were appointed as Independent Directors of the CSA for their second and final terms. As per clause 19.10 of the MOI, Independent Directors can only serve for a period of two consecutive three-year terms. This meant that their final term of office would lapse in September 2019, shortly before or on the day of the elective AGM.

- 5.20.12. We determined that regardless of the fact that Khan and Mokhobo's terms lapsed in September 2019, they continued to serve as Independent Directors of the Board. We understand that during the AGM of 7 September 2019, the AGM resolved as follows:

*"It was RESOLVED that, the following Independent Directors, Mr. Mohamed Iqbal Khan and Ms. Dawn Mokhobo, whose tenures on the Board have come to an end at the 2019 AGM, be and are hereby appointed as Independent Directors in terms of Clause 19.9.2 of the Memorandum of Incorporation until such time that the vacancies arising from the expiration of their tenures for these positions are filled".*

- 5.20.13. We determined that Clause 19.9.2 which was used to extend the period of Khan and Mokhobo on the Board does not provide for the extension of period of Independent Directors to a period further than two consecutive terms of office.
- 5.20.14. As indicated above, Clause 19.10 provides that Independent Directors shall not be entitled to serve for a period of more than two consecutive terms.
- 5.20.15. We determined that Clause 19.14 provides that a Director, after serving the maximum permissible period shall only be eligible for re-election as a Director after a cooling off period of two (2) years determined from the date of his removal or resignation as a Director to the date of re-appointment.



5.20.16. The Members Council at the time contravened paragraph 19.10 of CSA's MOI and section 69(6) of the Companies Act as reflected above by extending Khan and Mokhobo's terms on the CSA Board.

#### **RESIGNATION OF DIRECTORS**

5.20.17. We understand that during the Members' Council meeting held on 6 December 2019, the President indicated that Khan and Professor Shirley Zinn had resigned from the Board citing governance issues at CSA. We further understand that Mokhobo and Jack Madiseng ("Madiseng") also resigned from CSA. We understand that Jack Madiseng's resignation was effective 8 January 2020.

5.20.18. Following the resignation of Khan, Zinn and Mokhobo who were Independent Directors, the Board was not properly constituted. This meant that the board only had two Independent Directors, namely Cornelius and Schoeman. It must be noted that Khan and Mokhobo's tenure had in any event lapsed in September 2019.

5.20.19. The MOI provides for the filling of vacancy within the Board. Although clause 19.3 provides for the Board to increase or reduce the number of directors and appoint alternate directors by special resolution, the MOI does not provide for an extension of the Board Member's tenure. As discussed above, the extension of Khan and Mokhobo's tenure was not in accordance with the provisions of the MOI.

#### **FAILURE TO APPOINT LEAD INDEPENDENT DIRECTOR**

5.20.20. We understand that CSA subscribes to the principles outlined in the King IV Report on Corporate Governance. According to King IV Practice 31 of Principle 7 recommended that the governing body should elect an independent non-executive member as chair to lead the governing body in the objective and effective discharge of its governance role and responsibilities.

5.20.21. The King IV Practice Notes 32 of Principle 7 provides that the governing body should appoint an independent non-executive member as the lead independent. We noted that Part 5.3, Principle 7, Practice 32 of King IV provides that:

*" The governing body should appoint an independent non-executive member as the lead independent to fulfil the following functions:*

*a) To lead in the absence of the chair.*

- b) *To serve as a sounding board for the chair.*
- c) *To act as an intermediary between the chair and other members of the governing body, if necessary.*
- d) *To deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate.*
- e) *To strengthen independence on governing body if the chair is not an independent non-executive member of the governing body.*
- f) *To chair discussions and decision-making by the governing body on matters where the chair has a conflict of interest.*
- g) *To lead the performance appraisal of the chair.*

5.20.22. Section 19.5.4 of the CSA MoI records that a lead Independent Director must be identified and designated from amongst the ranks of the Independent Directors (who were elected for appointment to the Board) and appointed by the Members' Council.

5.20.23. The CSA Board Charter in paragraph 4.5 records that "A Lead Independent Director ("LID") shall be appointed due to the Chairperson not being an independent director".

5.20.24. We determined that Advocate Norman Arendse SC was the Lead Independent Director until he resigned on 8 September 2018. Following his resignation, the position of a Lead Independent Director became vacant and was liable to be filled by another Independent Non-Executive Director.

5.20.25. In accordance with section 19.5.3 of the CSA MOI, the chairperson of the Board will be the President of CSA. The Vice-President of the Members' Council is automatically deputy chairperson of the Board. King IV Practice 31 of Principle 7 recommended that the governing body should elect an independent non-executive member as chair to lead the governing body.

5.20.26. CSA Members' Council failed to appoint an Independent Non-Executive Director as Lead Independent Director as required in terms of CSA MOI and King IV Practice Notes 32 of Principle 7.

#### **APPOINTMENT OF OTHER BOARD MEMBERS**

5.20.27. As indicated above, Khan, Zinn, Mokhobo and Madiseng resigned from the Board during the period November 2019 and January 2020, thereby creating

four vacancies in the Board. Khan, Zinn and Mokhobo were Independent Directors. Jack Madiseng was a Non-Independent Director.

- 5.20.28. As indicated above, if there is a vacancy in respect of Non-Independent Director, the vacancy shall be filled by the nominee of an Affiliate Member, so nominated for election and appointment at the Members' Council. This means that the vacancy could be filled at the next Members' Council meeting following the vacancy.
- 5.20.29. We understand that John Mogodi was appointed Non-Independent Director replacing Jack Madiseng. We did not review the process followed in the appointment of John Mogodi.
- 5.20.30. Clause 19.9.2 of the MOI provides that in the event of a vacancy of an Independent Director, the vacancy shall be filled by a person nominated by the selection panel for election and appointment at the Members' Council. We understand that the Members' Council appointed an Interim Nominations Committee (Selection panel) at its meeting held on 12 February 2020.
- 5.20.31. Section 70(3)(b)(ii) of the Companies Act requires that a vacancy on a Board must be filled within six months after the vacancy arose. Three vacancies arose in the first week in December 2019. This meant that casual vacancies had to be filled by 3 June 2020.
- 5.20.32. We determined that the Members' Council resolved to appoint the following individuals as members of the Interim Nomination Committee:
- 5.20.32.1. Shawn Christiansen;
  - 5.20.32.2. Donovan May;
  - 5.20.32.3. Craig Nel; and
  - 5.20.32.4. Marius Schoeman.
- 5.20.33. As per the CSA Nomination Committee Terms of Reference effective 28 January 2017, the committee shall be constituted as follows:
- 5.20.33.1. At least three non-independent executive directors;
  - 5.20.33.2. Majority non- executive should be independent;
  - 5.20.33.3. The Chairman of the Board should be a member of the nomination committee;

- 5.20.33.4. If independent, the chairman of the Board is eligible to be chair of the committee;
  - 5.20.33.5. Chairman must be an independent non-executive director; and
  - 5.20.33.6. The Chief Executive may not be a member of the committee, but should attend by invitation and if needed contribute pertinent insights and information.
- 5.20.34. It is our understanding that Shawn Christiansen was appointed as a Chairman of the Nomination Committee which was not in line with the CSA Nomination Committee ToR.
- 5.20.35. We further understand that the first committee under Chairmanship of Shawn Christiansen was dissolved.
- 5.20.36. Based on the review of the Interim Nomination Committee minutes of meeting of 5 May 2020, we noted that Schoeman was the chairperson of the committee. The appointment of Schoeman as chairperson of the nomination committee was in accordance with the CSA Nomination Committee Terms of Reference as he is an Independent Non-Executive Director. The other members of the Interim Nomination Committee who attended the meeting of 5 May 2020 were Donovan May and Craig Nel.
- 5.20.37. The Interim Nomination Committee recommended to the CSA Board the appointment of Vuyokazi Memani-Sedile, Dheven Dharmalingam and Dr. Eugenia Kula-Ameyaw as Independent Non-Executive Directors until the 2020 Annual General Meeting.
- 5.20.38. During the Members' Council meeting of 16 May 2020, the Members' Council resolved to approve the recommendation from the Interim Nomination Committee to fill the casual vacancies until the 2020 AGM by appointing the following three Independent Non- Executive Directors to the CSA Board in filling the vacancies created by the resignation of Khan, Zinn and Mokhobo:
- 5.20.38.1. Vuyokazi Memani-Sedile;
  - 5.20.38.2. Dheven Dharmalingam; and
  - 5.20.38.3. Dr. Eugenia Kula-Ameyaw.
- 5.20.39. The three Independent Non- Executive Directors appointed to fill casual vacancies and as such all three are only appointed up to the next AGM (i.e.

September 2020) as per clause 19.6 of the MOI. The said appointed independent non-executives will cease to hold office at the AGM. The submission of the names of candidates to fill the vacancies that will be created following the lapsing of the three independent non-executive directors tenure on the Board must be done at least 30 days prior to the AGM as per clause 19.21 of the MOI.

### **Conclusions relating to the appointment of Directors**

Based on documentation reviewed and consultations conducted with CSA officials and third parties we conclude as follows:

- 5.20.40. Khan and Mokhobo's term as Independent Directors on the Board lapsed at the September 2019 AGM;
- 5.20.41. Khan and Mokhobo did not qualify for appointment in the Board as they had served two terms in line with paragraph 19.10 of CSA MOI;
- 5.20.42. On 7 September 2019, the AGM resolved to extend Khan and Mokhobo's tenures on the Board according to clause 19.9.2 of the MOI until such time that vacancies arising from the expiration of their tenures or terms for their position are filled;
- 5.20.43. Clause 19.1.2 of the CSA MOI does not provide for extension or appointment of Independent Directors further than two terms provided for in the CSA MOI;
- 5.20.44. The appointment of Khan and Mokhobo at the September 2019 AGM contravened clause 19.10 of the CSA MOI;
- 5.20.45. Khan, Mokhobo and Zinn, all Independent directors, resigned from the Board in December 2019, with Madiseng resigning in January 2020;
- 5.20.46. The said resignations created four vacancies on the CSA Board which were only filled by the Members' Council in May 2020;
- 5.20.47. CSA Board operated with 8 instead of 12 Board members between January 2020 and May 2020;
- 5.20.48. Decisions taken by the Board between January 2020 and May 2020 were however not invalid as the clause 19.2 of the CSA MOI provides that any failure by CSA at any time to have the minimum number of directors does not limit or negate the authority of the Board or invalidate anything done by the Board or the company
- 5.20.49. While Norman Arendse SC resigned from the Board on 8 September 2018 as

Lead Independent Director, the Members' Council has failed to appoint a Lead independent Director as recommended in the King IV report;

- 5.20.50. The process followed in the appointment of the new board members was in accordance with the Nominations Committee terms of reference as Schoeman was the chairperson of the Interim Nominations Committee.

### **Recommendations relating to the appointment of Directors**

Based on the findings discussed above, we recommend that CSA considers the following:

- 5.20.51. Commencing with the process of nomination of candidates to fill the independent non-executive directors vacancies;
- 5.20.52. Ensure that the appointment of independent non-executive directors in is line with Companies Act and the CSA MOI; and
- 5.20.53. Review the nomination Committees TOR to determine whether it is desirable for the chair of the Board to be a member of the Committee.

## **5.21. COMPLETENESS AND CORRECTNESS OF MANAGEMENT ACCOUNTS, CASHFLOW FORECASTING AND GOING CONCERN ASSESSMENTS**

- 5.21.1. In considering the completeness and correctness of the management accounts we reviewed the monthly management accounts as well as the reports produced to FinCom by the Chief Financial Officers at the time, for the meetings held on the following dates:

- 5.21.1.1. 12 February 2019;
- 5.21.1.2. 24 April 2019;
- 5.21.1.3. 12 July 2019 (combined AuditCom and FinCom meeting);
- 5.21.1.4. 20 November 2019;
- 5.21.1.5. 4 February 2019.

- 5.21.2. We also reviewed the financial updates as presented at the Board meetings of 17 May 2019.

- 5.21.3. In reviewing the minutes and consulting with various individuals, nothing was brought to our attention that specifically questions the accuracy of the management accounts.

- 5.21.4. The persons consulted with expressed their concern, however, that the nature

of the information presented, resulted in them not being able to formulate a picture of the financial position of CSA at a specific point in time. This was *inter alia* attributed to the following:

- 5.21.4.1. Change in format or templates from feedback period to feedback period;
  - 5.21.4.2. Figures that one would expect to stay static, such as annual budgets, being changed over time;
  - 5.21.4.3. It being difficult to relate the progress being made on Project 654 to the financial results being presented;
  - 5.21.4.4. Information being presented at a meeting being 2 months old by the time it is presented.
- 5.21.5. Prior to the consultations, we tried to analyse the financial information and our view of the understandability of the financial information is similar to the observations made above. As cold readers of the financial information, we were not able to analyse the information and understand the progress made against budget and forecast from period to period.
- 5.21.6. The reading of the minutes did not assist us in understanding the financial information or interpretation thereof to any significant extent, as the minutes mostly do not reflect any details of discussions. In most instances the minutes reflect that “*the paper and its annexures were taken as read*”.
- 5.21.7. In an attempt to demonstrate the challenges encountered when reviewing a pack, we set out below extracts of the financial information contained in the Board meeting packs for the Board meeting on 17 May 2019 and the Board meeting on 1 August 2019.
- 5.21.8. The Board minutes of the meeting held on 17 May contained the following information in the CEO’s report:
- “Being a lean year CSA projected a budget loss. However, I am pleased to highlight that our latest financial estimate indicates that we have significantly reduced the 2018/19 financial year budget loss by R33m to a forecast loss of R190m. This result will place us in an improved position for the current four-year cycle 2019 – 2022. The external audit is scheduled ... and we expect our audited loss to be better than our current forecast.”*
- 5.21.9. At the same meeting, in a report prepared by the Acting CFO, Ziyanda Nkuta,

the following is stated:

*“The financial year ended 30 April 2019 marks the first year of the current 4-year financial planning cycle with a forecast loss of R350m (after including the MSL loss of R290m) as approved by the Board at its last meeting on 5 April 2019.”*

- 5.21.10. In terms of the report by the Acting CFO, CSA’s forecast loss is R141m (R350m less R60m). This does not agree to the financial figures presented by the CEO.
- 5.21.11. In the same pack, the FinCom report provides yet another set of information. This report states that CSA is forecasting (as at March 2019) a loss of R115000,000 vs the approved budgeted loss of R183,000,000. These figures appear to correlate to the CEO report.
- 5.21.12. In the pack there is also a copy of CSA’s management reports for the period ended February 2019. It should be noted that the columns to the right contain the forecast for the year until February 2019. However, the heading reads *“Forecast to Apr 18.”*
- 5.21.13. In the Board pack of the meeting on 1 August 2019, the Combined AuditCom and FinCom report provides updated information and states that *“The company recorded a loss for the year of R200m against a budgeted profit of R222m, (R182m loss for CSA and R40m loss for MSL)”*. This contradicts the figures presented at the meeting of 17 May 2019 and the indication that the CEO gave that the loss would be less than R190 million. No further explanation or discussion appears to have happened at the meeting.

#### **Completeness and correctness of the corporate risk score card**

- 5.21.14. The CSA’s Corporate Risk Scorecard was approved by the CSA Board at its meeting in February 2019. The minutes of the Board meeting on 1 February 2019 specifically reads that *“The scorecard was taken as read and noted by the Board. As presented by management the Board RESOLVED to approve to Top Strategic and Operational risks as supported by CSA’s AudCom”*.
- 5.21.15. On 17 May 2019, the Board approved the IT Governance scorecard, that was still being drafted on February 2019 (when the other sections of the Corporate & Risk Scorecard were approved).
- 5.21.16. The *“AudCom”* referred to is the AuditCom meeting of 21 November 2018 where it is recorded under the heading *“Corporate Strategy and Risk Scorecard”* that *“The committee reviewed and supports the update on the Top Strategic and*



*Operational risks recommended by management and will recommend same to the CSA BoD."*

- 5.21.17. This approval excluded the section on IT Governance that had not yet been completed at the time. (see below where a newly drafted IT Governance scorecard is discussed).
- 5.21.18. It is minuted in the minutes of the AuditCom meeting held on 12 February 2019 that the chair requested that the "*Corporate Strategy and Risk Scorecard*" be updated with reference to "*Project 654 and the FTP*" and circulated to the committee members for review and input. It was also requested that the detailed scorecard be part of the pack for all AuditCom meetings.
- 5.21.19. In the matters arising from previous meetings, as attached to the pack for the AuditCom meeting on 24 April 2019, reference is only made to the fact that in the previous meeting the head of Internal Audit was asked to update the Scorecard. No reference is made to the fact that the Scorecard was to be circulated or attached to future meetings.
- 5.21.20. In the meeting pack, feedback was provided on the revision of the Corporate Risk Scorecard and the newly drafted IT Governance scorecard was attached. However, the full scorecard was not made available during the meeting. There is no reference to whether the scorecard was updated to include risks relating to "*Project 654 and the FTP*", although the "*Matters arising*" section of the pack indicates that it was done.
- 5.21.21. It was once again minuted in the AuditCom meeting held on 24 April 2019 that the chair of the meeting requested that the detailed "*Corporate Strategy and Risk Scorecard*" be part of the pack for all AuditCom meetings.
- 5.21.22. The fact that the Scorecard needs to be updated and added to the pack is not recorded as a "*Matters arising from previous meetings*" in the pack for the Combined AuditCom and FinCom meeting held on 12 July 2019.
- 5.21.23. During this meeting on 12 July 2019, the minutes of the AuditCom of 24 April 2019 are adopted accept that "*The inclusion of a detailed scorecard will be part of the AuditCom meeting packs for all meetings*" was reassigned to Appiah, the COO.
- 5.21.24. Once again, the Corporate Strategy and Risk Scorecard was not included in the pack.
- 5.21.25. The pack contained a feedback report by Appiah, indicating that there have

been no revisions since the previous meeting and that the revised scorecard should be presented to the Committee after September 2019.

- 5.21.26. On 4 December 2019, the Corporate Strategy and Risk Scorecard was once again not included in the pack presented to the AuditCom. However, under the heading “*Legal and Governance*” it is indicated that various risk registers were discussed, including the Finance and Commercial Risk Register, the Transformation Risk Register and the Legal and Compliance Risk Register, the latter being a late attachment to the pack.
- 5.21.27. As is discussed elsewhere in the report, Gwaza indicated that in July 2019 the responsibility for preparing and managing the CSA Risk Registers became his responsibility as Company Secretary and person primarily responsible for Legal and governance aspects. In this regard he started taking responsibility for the drafting and finalization of the various Risk Registers at CSA. He confirmed that the Corporate & Risk Scorecard is now referred to as the Risk Register. There is a whole process of incorporating the Risk Register into the Enterprise Risk Management framework and all this is in progress.
- 5.21.28. The feedback received from Gwaza is in line with what is reported in the AuditCom meeting minutes of 4 February 2020 where it can be seen that the various risk registers were considered and discussed. Input was also provided to ensure updating of the risk registers. It was also, *inter alia* minuted that an Enterprise risk policy framework had to be finalised.
- 5.21.29. As this process is still being developed, we recommend that the AuditCom provide guidance to Gwaza as to the manner in which information and the Risk Registers should be made available for review and consideration, e.g.:
- 5.21.29.1. Should complete Risk Registers be submitted, alternatively a link be available to consider the full Risk Register;
  - 5.21.29.2. How and when amendments to the Risk Register should be made and brought to the attention of AuditCom;
  - 5.21.29.3. What information should accompany the Risk Register, for example an executive summary setting out the changes to the Risk Register, so that those changes can be considered; and
  - 5.21.29.4. Process being followed to ensure that risks identified in the various sub-committees, are included in the Risk Registers and

communicated to AuditCom.

**5.22. COMPLETENESS AND CORRECTNESS OF MANAGEMENT REPORTS OVER LAST 12 MONTHS WITH SPECIFIC REFERENCE TO THE SUBMISSIONS TO THE BOARD AND BOARD COMMITTEES**

5.22.1. The Board Charter stipulates the following with regard to the Board relying on management for information and to make informed decisions, as per par 8.1.6:

*“The Board members are entitled to have access, at reasonable times, to all relevant Company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to make informed decisions.”.*

5.22.2. The various Terms of reference of the Board Committees all include a paragraph that reads similar to paragraph 12 of the AuditCom Terms of Reference:

*“Except to the extent of legal or regulatory provisions to the contrary, AudCom members, being independent or non-independent members, are entitled to rely on the Company’s executives in relation to matters within their areas of expertise and may assume the accuracy of information provided by such persons, provided that the committee member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate”.*

5.22.3. We have identified two specific instances where there are indications that management were aware of certain information that could have influenced or changed the decisions taken by the Board, being:

5.22.3.1. The Board was not advised that certain aspects that influenced the decision to exercise step-in rights at the Western Province Cricket Union, was resolved. This is discussed in paragraph 5.12 above.

5.22.3.2. Certain information relating to a due diligence on GSC was not provided to the Board. This is discussed in paragraph above.

5.22.4. In the Board minutes and pack of the meeting on 17 May 2019, the submissions by FinCom refer to the nature, size, recoverability and fair value of the Members Loans, as follows:

5.22.4.1. In the FinCom report, the total loan balance to Members is reflected as R176 million (the heading states Account Balances FY2018, however we believe this should read Account Balances FY2019). The submission states that FinCom had requested management to perform an assessment of the Members Loan recoverability and provide a

suggested way forward.

- 5.22.4.2. In a further FinCom submission headed “Item 3.1 – Review of CSA’s YTD Management Accounts & Forecast”, a breakdown is given in more detail of the Members Loans and Intercompany Accounts. This breakdown indicates that the loan amount is R176 million and the fair value is reflected as R130 million. It is also stated that Members had been notified of their repayment obligations as per revised loan agreements.
- 5.22.4.3. In the pack for the Board meeting on 1 August 2019, the Combined AuditCom and
- 5.22.4.4. The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The members of such committees may include Persons who are not Directors.
- 5.22.5. FinCom report indicates that *“Management performed a preliminary assessment of the Members liquidity positions at year end, there exists the risk for CSA that the loans may not be recoverable as per the current terms and conditions... 3) Once a detailed feasibility study has been performed based on the Members individual finances, a revised repayment plan will be agreed on with Members.”* It is also recorded that *“The Committee requested that management provide feedback to the Committee on the stadium loan payments and keep track of the repayments.”*
- 5.22.6. We were unable to identify any specific reference to the consideration by the Board of the Members Loans or the Members’ Financial Position prior to May 2019.
- 5.22.7. With reference to other Committees, the first specific reference to a discussion on Members loans and underlying financial position, is found in the minutes of the FinCom meeting of 20 November 2019. In the submission by the CFO, detail is provided on the financial position of the Members and it is indicated that only 3 of the 14 Members performed at break-even point or better and only 1 of the 6 Franchises reported a profit. In the CFO report comment is made on the liquidity and net asset value of the various Members and Franchises.
- 5.22.8. In the FinCom meeting on 4 February 2020, feedback from the CFO indicated that *“Members were requested to complete a standard financial template to assess their financial state. However the exercise did not prove entirely successful as the varied responses and projections, indicated a lack of understanding of basic financial*

*management from several Members*". As a result, thereof the CFO was embarking on a nation-wide roadshow to Members. The result of the roadshow would amongst other things be to:

- 5.22.8.1. Interrogate Members financial and operational analysis;
  - 5.22.8.2. Assess Members financial sustainability and going concern analysis;
  - 5.22.8.3. Assess the impact any changes to the domestic cricket structure would have on Members; and
  - 5.22.8.4. Obtain a clear state of affairs at the Affiliates and report back to Committees and the CSA Board.
- 5.22.9. At the AGM held on 7 September 2019, the following Ordinary Resolution was put to vote:
- "RESOLVED THAT, the following Independent Directors whose tenures on the Board have come to an end at the 2019 AGM be and are hereby appointed as Independent directors in terms of clause 19.9.2 of the Memorandum of Incorporation until such time that the vacancies arising from the expiration of their tenures for these positions are filled."*
- 5.22.10. Clause 19.9.2 of the MOI stipulates that *"in respect of an Independent Director, the vacancy shall be filled by a Person nominated by the selection panel and appointed at the Members' Council..."*
- 5.22.11. The above creates the impression that Khan and Mokhobo were eligible to be appointed as Independent Directors. However, these two directors had already served their second and final term of office and were not eligible for re-election.
- 5.22.12. Paragraph 19.10 of the MOI clearly stipulates that any Independent Director can only serve 2 consecutive three-year terms.
- 5.22.13. We were unable to find any indication where CSA considered that the re-election of these two Independent Directors would be in contravention of the MOI. We were also unable to find any indication that the MOI was amended to allow for the extension of the period.
- 5.22.14. With reference to any amendments to the MOI, we were able to determine the following:
- 5.22.14.1. The copy of the MOI provided to us, stipulates that the Fourth Amendment was on 2 February 2019.

- 5.22.14.2. The draft amendments were presented to a Special General Meeting of CSA on 2 February 2019, where the amendments to the MOI were approved.
- 5.22.14.3. A Members’ Council meeting on 2 February 2019, minuted that “A process is required which should commence after the Special General Meeting as part of a broad constitutional review in an independent space. The constitution must be fit for purpose. The President proposed that a small committee of two or three members should be set up to develop a proposal. The President requested a mandate to establish a committee. The proposal was approved by all present.”
- 5.22.15. On enquiry, Pheko indicated that the decision to establish the committee was prior to her and Gwaza being appointed at CSA and they were not aware that such a committee was established. Pheko further indicated that CSA is currently busy with preparing amendments to the MOI as it was resolved at a Members’ Council meeting on 12 February 2020 that “a process of reviewing the MOI be undertaken with immediate effect”.
- 5.22.16. We note that it was also recorded at the Board meeting on 7 December 2019 that the Board agreed that directives need to be given to Gwaza in order for him to consult and obtain input from Board Members into amending the MOI. These amendments are to be tabled at a Special Members’ Council meeting for approval. It was resolved that the Board would provide input to the amendment of the MOI for presentation to the Members’ Council.
- 5.22.17. In reviewing the Board and Committee minutes from January 2019, and the submissions made, we identified various aspects that could influence the ability of the Board and/or Committee members to make informed decisions based on absence or no submissions, incomplete submissions, late submissions or difficulty in interpreting or analysing the submissions. These instances are reflected in the table below:

Meeting	Date	Aspect	Comment
Board	17 May 2019	Pack issued late (14 May 2019). Various late attachments, including minutes of previous meetings, and	This is but one example of packs and information being late. This is occurring across the Board and sub-

Meeting	Date	Aspect	Comment
		submissions relating to CSA Corporate Scorecard, GSC transactional proposal and Board Committee Reports	Committees. The various TOR's and the Board Charter are clear on the timelines and these should be adhered to. Where packs are issued late and contain a lot of detail, members will not be able to prepare in sufficient detail for the meetings.
Board	1 August 2019	Board considered Nominations Committee report and agreed to appoint Schoeman as the AuditCom chair.	The vacancy arose in November 2018. The Nominations Committee report is date 21 November 2018. Schoeman was only appointed in August 2019. In terms of S94 of the Companies Act, the vacancy should have been filled within 40 business days.
HR & Remco	3 March 2020	Pack issued late. Agenda changed without approval of Chairman and item added – DIBS report – verbal feedback	Late issuing of agendas, amendment of agendas and late submission of reports result in Committee members not being able to prepare properly for meetings and discussions.
FinCom	15 January 2020 – Round Robin Resolution	FinCom members received a memorandum prepared on December 2019 to approve a deviation from the CSA Procurement Policy in appointing an entity called Perform. FinCom were informed that they had to respond by 17 January on the resolution.	Schoeman followed up various aspects with Khoza, that informed Schoeman that the initial proposal was dated June 2019 and that CSA was already making use of the services of Perform. This information was not included in the memorandum. The memorandum gave the impression that the

Meeting	Date	Aspect	Comment
			FinCom could still decide whether it is an agreement that should be entered into, whilst in fact the services were already being rendered.
Board	17 May 2019	HR& RemCo Committee provided verbal feedback but no written submission on meeting dated 24 April 2019	Board Sub-committees should be preparing written submissions to Board and these submissions should be distributed timeously for Board Members to consider
Board	12 February 2020 and 15 May 2020	<p>We have been unable to identify a written submission to the Board for the Transformation Committee meeting on 26 November 2019 and 15 March 2020</p> <p>It is reported that a 60 page document (see attached) for a joint Transformation, Social &amp; Ethics and AuditCom meeting held on 12th February 2020 in East London was send on the morning of 12<sup>th</sup> February 2020- while there was a Board meeting that was taking place</p> <p>While there is no minutes of this combined meeting, a report to the Transformation committee held on 13 March 2020 records that "The paper on Geopolitical Alignment, .... was shared</p>	<p>Board Sub-committees should be preparing written submissions to Board and these submissions should be distributed timeously for Board Members to consider</p> <p>Board Members should be given sufficient time to prepare for meetings</p>



Meeting	Date	Aspect	Comment
		in a Joint sitting of Transformation, Social and Ethics and Audit and Risk Committees in East London on 12 February 2020. This paper was supported by all present.” [Item 4.1 - Transformation Manager Report”]	
Board	17 May 2019, 1 Feb 2019	The matters arising included in the packs for 17 May 2019 and 1 Feb 2019 are the same document, only the heading was changed. Therefore, matters arising from the Special Board Meetings as well as the Board Meeting on 1 February 2019, was never included in a Matters Arising Document. The Matters Arising document attached to the Agenda for 1 August 2019 is an updated document in as much as completed matters were removed and matters arising from the meeting on 17 May were added. There is no indication how the matters arising from the previous Board Meetings were dealt with.	From a review of the minutes it appears that the Matters Arising section of the pack is “considered as read” and little discussion ensues around the items listed. It appears that no-one noticed that the Matters Arising document attached to the pack of 17 May 2019 was outdated and not complete.  The Matters Arising should be carefully and clearly documented and followed up to ensure that matters from previous meetings are attended to.

5.22.18. In reading the Board Minutes and Sub-Committee minutes, we identified various other aspects that we would like to bring to the attention of CSA Board:

5.23. **Lack of a policy and procedures for induction training for newly appointed directors**

5.23.1. The Board Charter and the Terms of Reference for the sub-committees all refer to induction training that has to be provided to new board members and newly

appointed Committee members.

- 5.23.2. In consultation, Khan informed us that as far as he was aware there was no induction and training of new directors. Various new directors joined the Board, being Schoeman and Tebogo Siko in November 2019, Jack Madiseng and Donavan May welcomed as new directors to CSA Board on 17 May 2019 and Shirley Zinn, Steve Cornelius and Angelo Carolissen welcomed on 1 February 2019.
- 5.23.3. In consultation, Schoeman indicated that his “induction” was limited to a 2-hour meeting with the CSA, COO and CFO and one other person. He was also handed a file which contained an outdated version of the MOI (version last updated 12 September 2015), the Terms of Reference of various Board Committees, Minutes of the last 3 Board Meetings, Minutes of the AuditCom meetings for 2019. The Board Charter was not provided and Schoeman was only provided with limited information on the Strategy and how to claim for expenses, etc.
- 5.23.4. According to Schoeman, Induction Training took place on 18 and 19 June 2020. Schoeman further stated that the Board members were provided with two documents i.e. a 1628 page document for 18 and 19 June 2020 and a 231 page document focusing on Governance.
- 5.23.5. Induction training for newly appointed directors is an important governance principle to ensure effective operation of the Board. New directors will need some key information and training when they are first appointed. The objective of an induction programme would be to familiarise incoming directors with their rights, duties and functions, ensure that new directors attain a level of understanding of the business, operations and industry, maximise the level and degree of the new directors’ contribution to the board and ensure that new directors make informed decisions on matters concerning the company.
- 5.23.6. The Board should ensure that a policy and programme is in place for the induction of new directors. Such a policy needs to be reviewed and updated periodically to ensure that it still meets the company’s objectives.
- 5.23.7. Failure to timeously appoint additional independent director(s) and chair to AuditCom.
- 5.23.8. Louis von Zeuner, an independent non-executive director and Chair of AuditCom resigned in December 2018.

- 5.23.9. In terms of the AuditCom Terms of Reference, the members of the AuditCom may not be less than three. It should comprise of at least 2 independent non-executive directors and the Chair shall be an independent Board Director.
- 5.23.10. In terms of section 94 of the Companies Act, the Board is required to fill the vacancy within 40 business days.
- 5.23.11. CSA's independent nomination committee raised these aspects and concerns in a document styled "Circular resolution – Johannesburg – 21 November 2018". This document is included in the pack for the Board Meeting on 1 February 2019. However, neither the AuditCom submission in the pack, nor the Board minutes provide any indication of whether the content of the circular was raised and/or discussed during the meeting.
- 5.23.12. The first reference we find regarding this aspect, was raised on 17 May 2019 at a Board Meeting by the Chairman of the Board. Although the Chairman only provided verbal feedback at the meeting (i.e. no Chairman's report), it is indicated that the Chairman raised a governance concern in that the current FinCom Chair is also the Acting Chair of AuditCom due to Louis von Zeuner resigning. The minutes of the Board meeting of 1 August 2019 record that the Board considered and agreed to recommend the appointment of Schoeman as an Independent Non-Executive Director and Chair of AuditCom. This recommendation was to be tabled at the AGM, and if approved, Schoeman's tenure would commence after the AGM.
- 5.23.13. CSA were therefore in breach of the Companies Act and the AuditCom Terms of Reference from December 2018 until September 2019.
- 5.24. **FAILURE BY CGL TO HAVE THEIR AGM PRIOR TO THE CSA AGM**
- 5.24.1. In a newspaper article dated 29 August 2019, it is recorded that the CGL failed to convene an AGM prior to CSA's AGM that was to be held on 7 September 2019. This article indicates that Moroe was of the view that this won't have an adverse effect on CSA's September 7 AGM. The article inter alia indicates that Moroe said that "What the adjournment means is that GCL don't have approved audited financials. They also don't have approve auditors for the next financial year." More is also quoted as saying that the GCL will have to write to CSA and ask for a pardon and that CSA will continue with their AGM. More also indicated that this aspect will be discussed at the meeting before the AGM where it will be noted.

- 5.24.2. We reviewed the Members' Council and Board minutes of CSA that were held after 29 August 2019, but were unable to identify any reference to a discussion of noting of the fact that CGL did not have an AGM.
- 5.24.3. In terms of section 10.9 of the CSA MOI, "The annual general meetings of the Affiliate Members and Associate Members must be held prior to the date of the Annual General Meeting of the Company."
- 5.24.4. From further newspaper articles it appears that CGL had their AGM on 9 May 2020.

## 5.25. **FRAUD DETECTION AND PREVENTION**

- 5.25.1. CSA required Fundudzi to conduct an examination of the following documents and data in relation to fraud prevention and detection:
  - 5.25.1.1. Internal and External audit reports;
  - 5.25.1.2. Eight (8) Deloitte Tip-Off Anonymous reports;
  - 5.25.1.3. Project documents;
  - 5.25.1.4. Forty (40) key contract per year; and
  - 5.25.1.5. Procurement related cases.
- 5.25.2. The purpose of the examination of the above-mentioned documents was to identify instances of fraud, financial or other misconduct over a period of four years.
- 5.25.3. We understand that the following were the Tip-Off Anonymous reports for the period January 2016 to 7 February 2020:
  - 5.25.3.1. Alleged procurement irregularities implicating an employee and a service provider to CSA;
  - 5.25.3.2. Alleged potentially illegal practices taking place at Eastern Cricket, Benoni and Gauteng;
  - 5.25.3.3. Complaint regarding cricket within Khayelitsha, Western Cape;
  - 5.25.3.4. Alleged fraud involving employees from Eastern Cricket Union, situated at Sahara Park, Willow Moore, Benoni, Gauteng;
  - 5.25.3.5. Alleged fraud withing Impala Cricket, Polokwane, Limpopo;
  - 5.25.3.6. Allegations pertaining to conflict of interest within North West

Cricket, North West Province;

5.25.3.7. Alleged appointment irregularities within the Limpopo Impala Cricket, Polokwane; and

5.25.3.8. Alleged misconduct at North West Cricket Board.

#### **Review of internal and other external reports**

5.25.4. CSA provided us with five (5) internal audit reports and one (1) external audit report. We determined that the internal audit reports were compiled by CSA Compliance Unit. We further determined that the internal audit reports were provided to Gwaza and Richard Sithi (“Sithi”). We noted that Sithi was an attorney providing legal services to CSA. Below we discuss our examination of the internal and external reports.

#### **5.25.5. Alleged procurement irregularities implicating an employee and a service provider to CSA**

5.25.5.1. We determined from the internal report that the allegation relates to the Request for Proposal (“RFP”) for the procurement of KFC Mini Cricket clothing for the period of three (3) years. We further determined that Fredock Trading T/A Sedgars Sports was the successful bidder.

5.25.5.2. According to CSA, Sedgars Sports was appointed for an amount of R2 million per annum over three years. The total cost for the said appointment was R6 million.

5.25.5.3. CSA investigation discovered that the tender committee was not properly constituted in that in respect of procurement spend in excess of R5 million, the CEO or his/her delegate must be part of the tender committee.

5.25.5.4. CSA further discovered that the appointment of service provider where the procurement spend was in excess of R5 million must be ratified by the finance committee and the tender committee failed to obtain the said ratification.

5.25.5.5. CSA discovered that only three of the five tender documents (RFPs) were submitted for review.

5.25.5.6. CSA discovered that the finance manager, Ziyanda Nkuta, approved

a purchase order and an invoice of R1,7 million for payment in an instance where such expenditure must be authorized by the Chief Financial Officer.

5.25.5.7. CSA further discovered that the payment to Sedgars Sports was made prior to the finalization of the contract between the two parties.

**Management action taken to prevent re-occurrence**

5.25.5.8. We are not aware of any action taken by management to prevent re-occurrence.

**Disciplinary action taken in terms of the human resources policies**

5.25.5.9. CSA instituted disciplinary action against Ziyanda Nkuta for amongst other things non-compliance with CSA Procurement Policy following the appointment of Sedgars Sports and she was subsequently dismissed.

**Compliance to relevant legislation**

5.25.5.10. The procurement of KFC Mini Cricket Clothing was in excess of R5 million and therefore the CEO or his delegate should have been part of the adjudication committee.

5.25.5.11. According to CSA, Ziyanda Nkuta's conduct in the adjudication and subsequent approval of Sedgars Sports' purchase order and the invoice of R1.7 million without authority raise suspicion.

5.25.5.12. Section 34 of PRECCA requires irregularities of R100,000 and above to be reported to the Law Enforcement Agencies by any individual in position of power. Moroe, as the CEO of CSA is the individual in position of power who is required to report all criminal offences to the Law Enforcement Agencies.

5.25.5.13. There is no evidence that Moroe or any CSA official took any action relating to reporting irregularities reflected in the reports reflected by us.

5.25.6. **Allegations of non - compliance with ICC Standards by the President of the Eastern Province Cricket Board**

5.25.6.1. It was alleged that the President of the Eastern Province Cricket Board, Donovan May, entered the Player and Match Officials Area

(“PMOA”) without the necessary accreditation.

- 5.25.6.2. It was further alleged that Donovan May was advised by the security guards at the PMOA that he required a zone six (6) accreditation and a temporary “visitor” accreditation.
- 5.25.6.3. It was also alleged that Donovan May removed Imran Tahir out of the PMOA for a photo opportunity without the permission of the Team Manager or Anti-Corruption Officer which inadvertently placed Imran Tahir in breach of Article 5.1 of the Minimum Standard Policy Document.
- 5.25.6.4. We noted from CSA internal report that the inability to verify the presence of Donovan May in PMOA resulted in the reliance of statements from witnesses that may not have had an accurate description on the series of events that took place on the day.
- 5.25.6.5. The CSA internal report also found that it was probable that facts were being misrepresented. It was also highlighted that the lack of efficient CCTV coverage could result in a missed opportunity of timeous intervention by security personnel on surveillance watch to remedy any contraventions.
- 5.25.6.6. The CSA internal report reflected that non-compliance to laws and regulations by affiliate members may result in fines and reputational damage to CSA.

### **CSA Recommendations**

- 5.25.6.7. CSA recommended that the board committee considers whether Donovan May, a CSA Board Member at the time, breached Clause 2.6 of the Code of Conduct by engaging or being involved, whether directly or indirectly in any conduct which is prejudicial to the interest of the game of cricket.
- 5.25.6.8. CSA further recommended that in terms of Clause 7 of the Code of Conduct policy, the following were the sanctions:
  - 5.25.6.8.1. In the case of Director, removing a Director from the CSA Board in accordance with the company’s MOI; and
  - 5.25.6.8.2. Any other form of sanction which the CSA Board

deems reasonable and appropriate.

### **Management action taken to prevent re-occurrence**

5.25.6.9. We determined that on 10 March 2020, Donovan May responded to the allegations against him. In his response sent to Professor Steve Cornelius, Donovan May indicated the following:

5.25.6.9.1. That he entered the premises with his accreditation;

5.25.6.9.2. That he had a zone 6 pass;

5.25.6.9.3. That he was not aware that new accreditation did not include zone 6 pass for the "President of the Organisation";

5.25.6.9.4. That he was abruptly requested to leave the PMOA; and

5.25.6.9.5. That he did not lay a complaint regarding the manner and how he was spoken to by the security and CSA employees.

5.25.6.10. Donovan May further indicated that he was later allowed into the PMOA.

5.25.6.11. Donovan May confirmed that he requested Imran Tahir for a photo shoot with potential sponsors. According to Donovan May, the said photo shoot between Imran Tahir and the potential sponsors lasted for two minutes.

5.25.6.12. We determined based on an email provided to us by Schoeman that Donovan May responded as follows:

*"I was not given the reason why I could not enter zone 6 apart from telling me that I do not belong here.*

*Upon returning with the player, Dave Callaghan was in the zone 6 area which I could not understand as why he was not also escorted out of the area or asked to leave.*

*I would also like to bring to your attention that the Lions cricket Ceo Jonno Leaf-Write was seen on tv at the players dugout during the Mzansi game at the wanderers and why he can enter the zone where the players are. Does a Ceo have more powers than a President?*



*Also on national tv the President of Wp Nick Kock was seen in the players box while the game was on during the 5 day test at newlands over the new years day test period.*

*It must also be mentioned that players do move around in the building at times hence the request for a picture to be taken.*

*It was unfortunate that the player was singled out for a pic as he is a South African icon.*

*I am not sure why I am being singled out and I still do not know why I was prohibited from the area as no rules was explained to me as I always had access through the area when passing through to do the post - match presentations.*

### **Disciplinary action taken in terms of the human resources policies**

5.25.6.13. We determined that on the same day i.e. 10 March 2020, Professor Steve Cornelius sent an email to Marius Schoeman, Zola Thamae, Rihan Richards and Beresford Williams. In the said email, Professor Steve Cornelius indicated the following:

- That CSA Board must send a note to Donovan May to warn him not to repeat the conduct in future;
- That similar notes be sent to other two individuals, i.e. President of Western Province, Nick Kock and Lions Cricket Chief Executive Officer Jonno Leaf-Write; and
- That a circular be sent to all affiliates to draw their attention to Article 3.1.1 of the International Cricket Council Anti-Corruption Code.

5.25.6.14. We further determined that Schoeman concurred with Cornelius' recommendations/proposals. We noted Schoeman further recommend/proposed that CSA's accreditation policy be reviewed.

### **5.25.7. Allegations relating to Crescendo Networks (3G Consulting)**

5.25.7.1. In July 2014, CSA entered into a 36-month contract with Crescendo Networks for the access to Online Vital Suite for reporting and analysis tool, supply of connectivity to CSA and its members and

Fortinet CPE device.

- 5.25.7.2. According to the CSA, the parties were required to conduct mid-term review in order to determine the cost versus the market pricing, services and technology. Based on the review of the contract and depending on the outcome, the agreement would then be extended for a period of 24 months thus converting the contract into 60 months.
- 5.25.7.3. Based on the said mid - term review, CSA informed Crescendo Networks that it intends to terminate the contract at the end of July 2019. During the said period, CSA will be migrating the services offered by Crescendo Networks to a new service provider.
- 5.25.7.4. Crescendo Network contended that there were contractual charges of R10.1 million due and payable by CSA following earlier termination of the contract. According to Crescendo Network, the contract was to end July 2021.
- 5.25.7.5. The CSA internal report recommended the following:
  - 5.25.7.5.1. The Human Resources Department to consider implementing disciplinary actions against members of the IT Department for non - compliance with established procedures/rules and policies.
  - 5.25.7.5.2. Revise the fixed assets policy to reflect the current governance structure and correct definition of fixed assets;
  - 5.25.7.5.3. CSA to claim all duplicated payments from Crescendo; and
  - 5.25.7.5.4. Crescendo Networks be listed in the CSA's delinquent register and inform CSA members to dissociate with 3G Consulting.

**Management action taken to prevent re - occurrence**

- 5.25.7.6. AuditCom requested Fundudzi to conduct further investigation relating to the appointment of Crescendo Networks. We were informed that documentation relating to the appointment of Crescendo Networks were saved on Lundi Maja laptop and/or

CSA procurement server. We imaged Lundi Maja's laptop and the CSA server. We analysed Maja's laptop and CSA server and we could not find documentation relating to the processes followed in the appointment of Crescendo Networks.

5.25.7.7. In March 2020, CSA informed Crescendo Networks that as far as they are concerned, the contract between the parties lapsed in July 2019. CSA further informed Crescendo Networks that it considers the matter regarding the contract to be closed.

#### **Disciplinary action taken in terms of the human resources policies**

5.25.7.8. We are not aware of any action taken against members of the IT Department. The report did not specify who within the IT Department contravened CSA's procedures, rules and policies.

5.25.7.9. Furthermore, the report did not concluded on who within the IT department assisted Crescendo Networks to obtain quotations from other service providers.

#### **5.25.8. Allegations of abuse of power and misappropriation of funds against Martin Mota**

5.25.8.1. It was alleged that in 2019, CSA sponsored Martin Mota's trip to the Cricket World Cup in England by paying for the flights and Visa without the authorization of the CEO and Commercial Committee.

5.25.8.2. It was further alleged that the Chief Operating Officer was involved in the sponsorship of Martin Mota's trip.

5.25.8.3. It was also alleged that CSA introduced Martin Mota to the Diplomatic Liaison Officer as an In - House Legal Advisor instead of a service provider.

5.25.8.4. CSA discovered that Martin Mota's flights costs R29 176.00 and the said trip was paid through a CSA Diners Card.

5.25.8.5. Furthermore, in November 2018, CSA paid an amount of R5 477.86 in respect of Martin Mota's trips to Cape Town.

#### **Management action taken to prevent re - occurrence**

5.25.8.6. We are not aware of any action taken by CSA.

### **Disciplinary action taken in terms of the human resources policies**

- 5.25.8.7. Appiah was charged for his role in the utilization of Mota Attorneys' services including payment of Mota's flights.
- 5.25.8.8. Appiah was dismissed by CSA after he was found guilty during the disciplinary hearing. We were informed that Appiah was appealing the dismissal from CSA.

### **Compliance to relevant legislation or policies**

- 5.25.8.9. Mota Attorneys submitted various invoices to CSA without indicating who worked on the said matters, the charge-out rate for the resource used and the time spent. According to CSA, the total invoices submitted by Mota Attorneys without the necessary information amount to R 1 231 893.75.
  - 5.25.8.10. Furthermore, Martin Mota from Mota Attorney benefitted from favour extended to him by Appiah including payments of flights. Appiah introduced Martin Mota as a diplomatic Liaison Officer during the visit to London.
  - 5.25.8.11. The payments to Martin Mota Attorneys and other benefits afforded to Martin Mota may constitutes gifts/gratifications and these must be followed up in terms of PRECCA.
- 5.25.9. **Allegations against Dalene Nolan ("Nolan") who was employed as Cricket Coordinator/Administrator at CSA**
- 5.25.9.1. It was alleged that Nolan applied for sick leave from 10 June 2019 to 26 June 2019. The leave was approved and on 25 June 2019, Dalene hired a car from Bidvest Car Rental for two days at the expense of CSA.
  - 5.25.9.2. Furthermore, Nolan applied for leave from 27 December 2018 to 8 January 2019. It is alleged that CSA paid for Dalene's accommodation at the Mirage Hotel for the period 4 January 2019 to 6 January 2019 in the amount of R8 400.
  - 5.25.9.3. It was further alleged that CSA paid Nolan's car rental for the period 29 December 2019 - 7 January 2019 in the amount of R4 140.00.

**Management action taken to prevent re-occurrence**

5.25.9.4. CSA charged Nolan with five counts of gross dishonesty.

**Disciplinary action taken in terms of the human resources policies**

5.25.9.5. Disciplinary hearing was instituted against Nolan and she was found guilty and dismissed.

**Compliance to relevant legislation or policies**

5.25.9.6. CSA investigation did not raise any matter which required the reporting of criminal cases to the police.

**5.25.10. Allegations against North West Cricket Board**

5.25.10.1. In January 2019, CSA appointed Deloitte to conduct a forensic investigation in respect of the following:

5.25.10.1.1. Review of the governance, finance and administration process relating to the Stadium Upgrade Project;

5.25.10.1.2. Review the validity of bank transactions and other potential financial irregularities that may have occurred;

5.25.10.1.3. Identify the areas of risk of fraud and misconduct; and

5.25.10.1.4. Recommend improvements and best practices.

5.25.10.2. Deloitte concluded the investigation and recommended that CSA should:

5.25.10.2.1. Engage their legal representatives to access the evidence of failure of governance;

5.25.10.2.2. Review the North West MOI in order to clearly define the role, responsibility and statutes of directors and committees created by the board to ensure that indistinct differentiation between oversight and executive functions are eliminated;

5.25.10.2.3. Embark on a process to ensure that members align their policies and procedures related to the financial management of their affairs to governance structures of CSA in order to achieve consistent compliance with

King IV;

5.25.10.2.4. Consider taking action against a service provider, Nepaka, in order to obtain supporting documents with regards to payback of overpayment of R25,187.02 and other overpayments relating to the hiring of plant;

5.25.10.2.5. Take action against the following individuals for the authorization of unbudgeted expense:

- Ebersohn (Joint CEO);
- Maswanganyi (Joint CEO);
- Nkagisang (Suspended President of NWC);  
and
- Phiri (Former NWC Senior Cricket and HR Manager).

5.25.10.2.6. Conduct assessment against the Financial Manager in order to determine whether she is still fit to fulfill her role as the Financial Manager;

5.25.10.2.7. Obtain and scrutinize source documentation pertaining to the “unknown” sub - category in the amount of R 1 688 007.30; and

5.25.10.2.8. Consider the impact of the matters identified as incidental to the investigation on the depletion of the North West Cricket’s reserves and initiate appropriate investigations.

#### **Management action taken to prevent re - occurrence**

5.25.10.3. In the Paper prepared by Nkuta and Hazel Xulu and submitted to AuditCom meeting of 24 April 2019, it was indicated that the Administrator appointed by CSA (Archie Pretorius) resolved the majority of the issues raised by Deloitte including the appointment of the accountant to follow-up on the funds lost by North West Cricket.

#### **Disciplinary action taken in terms of the human resources policies**

5.25.10.4. Take action against the following individuals for the authorization

of unbudgeted expense:

- Jaco Ebersohn (Joint CEO);
- Joe Maswanganyi (Joint CEO);
- Dr Gabriel Nkagisang (Suspended President of NWC); and
- Otumile Phiri (Former NWC Senior Cricket and HR Manager).

### **Compliance to relevant legislation or policies**

5.25.10.5. Following the Deloitte's recommendations, an accountant was appointed to conduct a follow-up/investigation relating to the funds lost by North West Cricket.

## **5.26. DELOITTE TIP-OFFS ANONYMOUS REPORTS**

We were required to obtain and review eight (8) Deloitte Tip-Offs Anonymous Reports. Below we discuss the tip -offs Anonymous reports.

### **5.26.1. THE ALLEGATION RELATING TO THE APPOINTMENT OF CANIE JUNIOR FIRE AND SECURITY SYSTEM BY LUNDI MAJA WHO WAS THE FACILITY AND PROCUREMENT MANAGER AT CSA**

5.26.1.1. It was alleged that Canie Junior and Security System's owner, Canaan Nyathi, was the friend of Lundi Maja. Furthermore, Canie Junior and Security System has been providing services to CSA for over a year.

5.26.1.2. It was further alleged that Lundi Maja and Canie Junior and Security System were involved in procurement irregularities wherein the latter would:

- Invoice CSA for services not rendered;
- Work without job cards;
- Share the proceeds of their invoices with Lundi Maja;
- Involved in the splitting of the costs in order to circumvent the authorization by higher authority; and
- Inflate prices.

### **CSA Investigation**

5.26.1.3. We understand that CSA conducted its own internal investigation and made recommendations relating to the allegations of procurement irregularities.

### **Disciplinary action taken in terms of the human resources policies**

5.26.1.4. We further understand that CSA instituted disciplinary action against Lundi Maja relating to the appointment of the supplier. Lundi Maja was found guilty and was dismissed by CSA.

5.26.1.5. We were informed by CSA that Lundi Maja has taken the matter to CCMA.

### **Compliance to relevant legislation or policies**

5.26.1.6. Canie Junior Fire and Security System was paid more than R500 000.00.

5.26.1.7. We were not provided with any information which indicates that CSA opened a fraud and corruption case against Canie Junior Fire and Security System and Lundi Maja in terms of section 34 of PRECCA.

## **5.26.2. COMPLAINT REGARDING CRICKET WITHIN KHAYELITSHA IN THE WESTERN CAPE**

5.26.2.1. It was alleged that Khayelitsha Cricket started a Hub Program which led to various sports development initiatives. We understand that CSA signed a memorandum of understanding with the Department of Education and other institutions. However, there are concerns or conditions which affected the head coach of the Hub Program. The said conditions and/or concerns were the following:

- That the cricket club Exco is unconstitutional;
- There is collusion between the cricket club and WPCA;
- That the cricket club exclude the parents and the community;
- That CSA prioritizes its relationship with the affiliates over cricket development;



- That payments are made to coaches for services not rendered; and
- Nepotism

5.26.2.2. It was alleged that WPCA was not supporting Khayalitsha Cricket Club as per the strategy adopted by the union.

**Action taken by the member, WPCA**

5.26.2.3. We understand that WPCA CEO responded to the allegations and indicated that they were not aware of any collusion between Khayelitsha Cricket Club and WPCA.

**Action taken by CSA**

5.26.2.4. CSA Internal Audit indicated that there was not enough information provided in the fraud hot-line report in order to address the allegations. CSA Internal Audit referred the matter to CSA Cricket Services Manager to perform further inquiry.

5.26.3. **ALLEGATIONS OF MISMANAGEMENT AT TITAN CRICKET CLUB IN MPUMALANGA**

5.26.3.1. It was alleged that Jaco Visagie, the Chief Executive Officer at Titan Cricket Club in Witbank uses the club's sponsored vehicles for personal use. Furthermore, it was alleged that Jaco Visagie does not pay tax on the use of the said vehicles.

5.26.3.2. It was alleged that Jaco Venter instructed the employees of the club to make use of their own vehicles instead of the sponsored vehicle.

5.26.3.3. According to the tip – off report, there is a log book detailing the usage of the sponsored vehicles.

5.26.3.4. We were not provided with information relating to the action taken by CSA in respect of allegations of mismanagement at Titan Cricket Club in Mpumalanga.

5.26.4. **ALLEGATIONS OF ILLEGAL PRACTICES TAKING PLACE AT EASTERNS CRICKET UNION IN BENONI**

5.26.4.1. It was alleged that funds intended for cricket development in Eastern Cricket based in Benoni were stolen and/or not utilized for the intended purposes.

5.26.4.2. It was further alleged that staff members' salary at the said cricket union was very low.

5.26.4.3. The whistle blower alleged that the President and the financial consultant from the cricket union were not interested in the cricket program.

5.26.4.4. We were not provided with information relating to the action taken by CSA in respect of allegations of illegal practices taking place at Easterns Cricket Union.

5.26.5. **ALLEGATIONS OF MISMANAGEMENT AT NORTH WEST CRICKET IN THE NORTH WEST PROVINCE**

5.26.5.1. It was alleged that Louis Kruger ("Kruger"), the Head Grounds man, employed in the North West Cricket was using false business names to conduct business with the North West Cricket. It was further alleged that the business relates to fixing North West Cricket grass cutting machines.

5.26.5.2. It was alleged that Louis Kruger was utilizing the services of Jacob and John at his private farm in Potchefstroom whereas the said individuals were the employees of North West Cricket. According to the whistle blower, Jacob and John are general workers at North West Cricket.

5.26.5.3. Furthermore, it was alleged that Louis Kruger utilizes the services of his close friend, Henk to provide plumbing services at North West Cricket. According to the whistle blower, Henk owns a plumbing company.

5.26.6. **ALLEGED FRAUD WITHIN IMPALA CRICKET UNION IN LIMPOPO**

5.26.6.1. It was alleged that Lucky Mhlongo, Coach Manager and Administrator at Impala Cricket in Polokwane was involved in the embezzlement of funds. According to the whistle blower, Lucky Mhlongo paid players half of their salaries and he would later forge the signatures of the said players and claim the other half of the salaries.

5.26.6.2. It was further alleged that Lucky Mhlongo receives bribes from Impala Cricket suppliers.

5.26.7. **ALLEGED IRREGULARITIES WITHIN NORTH WEST CRICKET**

5.26.7.1. It was alleged that the President and Board of North West Cricket conceals information from CSA during audits.

5.26.7.2. Furthermore, it was alleged that North West Cricket Board appointed Japie Fransman who is an employee of the main sponsor. According to the whistle blower, North West Cricket's Memorandum of Intent states that no board member will be selected from the ranks of sponsors.

**Conclusions relating to Fraud Prevention and Detection**

5.26.8. Based on documentation reviewed and consultations conducted with CSA officials and third parties, we conclude as follows:

5.26.8.1. The following Deloitte tip off reports were investigated:

5.26.8.1.1. Complaint regarding Cricket within Khayelitsha in the Western Cape;

5.26.8.1.2. Allegation relating to the appointment of Canie Junior Fire and Security System by Lundi Maja who was the facility and procurement manager at CSA;

5.26.8.1.3. Allegations of mismanagement at North West Cricket in the North West Province;

5.26.8.1.4. Alleged fraud within Impala Cricket Union in Limpopo;

5.26.8.1.5. Alleged irregularities within North West Cricket; and

5.26.8.1.6. Alleged that WPCA was not supporting Khayalitsha Cricket Club as per the strategy adopted by the union.

5.26.8.2. The following Deloitte tip off reports were not investigated:

5.26.8.2.1. Allegations of mismanagement at Titan Cricket Club in Mpumalanga;

5.26.8.2.2. Allegations of illegal practices taking place at Easterns Cricket Union in Benoni;

5.26.8.3. Disciplinary action was taken against Maja following investigation of one of the tip-offs anonymous;

5.26.8.4. The CSA did not report a criminal case against Maja and the service

provider for fraud in terms of section 34 of prevention and combating of corruption activities Act 12 of 2004;

5.26.8.5. There is no evidence that CSA took step to recover from Maja and the service provider the loss suffered following fraud committed by Maja and the service provider; and

5.26.8.6. Deloitte investigated allegations at the NWC and issued a report.

### **Recommendations relating to Fraud Prevention and Detection**

5.26.9. Based on the findings discussed above, we recommend that CSA considers conducting detailed investigations into the following allegations:

5.26.9.1. Allegations of mismanagement at Titan Cricket Club in Mpumalanga; and

5.26.9.2. Allegations of illegal practices taking place at Easterns Cricket Union in Benoni.

### **5.27. VALUE IN KIND SPONSORSHIPS**

5.27.1. We were required to review policies on the use and distribution of Value-in-Kind (“VIK”) sponsorship items and determine whether the VIK was issued to persons that were not supposed to receive the items.

#### **REVIEW OF DOCUMENTATION**

5.27.2. We reviewed *inter alia* the following documentation as provided to us by CSA officials:

5.27.2.1. Naming Rights and Sponsorship Agreement between CSA and Coca Cola for the T20 Schools Challenge;

5.27.2.2. Naming Rights and Sponsorship Agreement between CSA and Coca Cola for the High-Performance Programme;

5.27.2.3. Broadcast Licence Agreement relating to 2019/2020 Inbound Cricket Tour and 2019 Mzansi Super League between CSA and SABC;

5.27.2.4. Official Supplier Agreement between CSA and Kemach Equipment (Pty) Ltd;

5.27.2.5. Official Kit Supplier Agreement between CSA and New Balance Athletic Shoe Inc;

- 5.27.2.6. Official Supplier Agreement between CSA and RAM Transport SA PTY LTD;
- 5.27.2.7. Official Kit Supplier agreement between CSA and New Balance Athletic Inc;
- 5.27.2.8. Official Supplier Agreement between CSA and Phizz LTD;
- 5.27.2.9. Naming Rights and Sponsorship Agreement between CSA and Coca Cola for the CSA Acceleration Programme;
- 5.27.2.10. Memorandum of Agreement between CSA and Bidvest Car Rental;
- 5.27.2.11. Broadcast Licence Agreement between CSA and SABC; and
- 5.27.2.12. Official Supplier Agreement between CSA and BitCo Telecoms.

#### **BACKGROUND RELATING TO VIK**

- 5.27.3. As indicated above, we were required to review policies on the use and distribution of VIK sponsorship items and inter alia determine whether the VIK received were issued to persons that were not supposed to receive the items.
- 5.27.4. During the course of our investigations we requested a copy of the CSA VIK policy as well as VIK register and reconciliations documentation prepared by CSA in respect of sponsorship contracts.
- 5.27.5. We were informed that CSA does not have a VIK policy/guideline. We were further informed that prior to the 2019/2020 financial year, CSA did not keep a complete register of items received from sponsors as well as items distributed to CSA staff members and/or various cricket teams.
- 5.27.6. We enquired from Shahnaaz Pailwan (“Pailwan”) how VIK contributions are managed by CSA. Pailwan indicated that there is no centralised control over VIK products.
- 5.27.7. It should be noted that our review focused on the procedures, policies and controls around VIK product. We did not review the accounting treatment of VIK products and whether the treatment is correct.
- 5.27.8. Below we discuss the details of the sponsorship agreements (VIK) identified by CSA officials. We are unable to confirm that this is a complete list of the sponsorship agreements.

## **CSA SPONSORSHIP AGREEMENTS WITH THIRD PARTIES**

5.27.9. Based on documentation provided to us by CSA officials, we determined that CSA concluded various sponsorship agreements with third parties. We discuss below the various types of sponsorship agreements CSA entered into as explained to us by CSA officials.

### **5.27.10. NAMING RIGHTS AND SPONSORSHIP AGREEMENT BETWEEN CSA AND COCA COLA**

5.27.10.1. Based on documentation reviewed, we determined that CSA and Coca Cola entered into a Naming Rights and Sponsorship Agreement relating to the following sponsorship arrangements:

5.27.10.1.1. Khaya Majola Cricket Week;

5.27.10.1.2. T20 Schools Challenge;

5.27.10.1.3. Franchise Clubs Week;

5.27.10.1.4. South African National Under 19 Team;

5.27.10.1.5. South African Schools Under 18 Team; and

5.27.10.1.6. CSA Talent Acceleration Programme.

5.27.10.2. According to paragraph 3.1 of the agreement, the agreement would take effect on and from the Signature date and would continue until 31 August 2019.

5.27.10.3. We noted that the agreement was signed by Sharon Keith on 29 August 2017 on behalf of Coca Cola. We noted that the agreement was not signed by a CSA official.

5.27.10.4. Paragraph 7.1 of the agreement provided that Coca Cola would at its cost and expense free of charge to CSA, supply Brand Sector Products as requisitioned by CSA, to CSA (including in particular for use by and for the CSA staff) as per the below breakdown per month per Contract Year for the duration of the term, where such value would be calculated at the Retail Price applicable as at 1 February of each Contract Year, provided that all requisitions shall be made in writing and shall be submitted to Coca Cola a minimum of two weeks prior to delivery date.

5.27.10.5. According to paragraph 7.2 of the agreement, should CSA require

Brand Sector Product in excess of the amount recorded in clause 7.1, Coca Cola would provide the additional product upon request by CSA at retail price applicable as at 1 February of the relevant Contract Year.

- 5.27.10.6. In terms of paragraph 7.4 of the agreement, CSA shall submit all products requisition in writing to a designated representative of Coca Cola.
- 5.27.10.7. According to paragraph 7.6 of the agreement, Coca Cola would at the end of each month throughout the term, supply CSA with a written reconciliation of all product requisition actually supplied to CSA.
- 5.27.10.8. Paragraph 7.7 of the agreement provides that if at the end of a Contract Year, CSA has not requisitioned and received the agreed free products from Coca Cola to the aggregate value of R20 160.24, Coca Cola shall by no later than the final day of the Contract Year deliver to CSA, Brand Sector Products equal in value to the difference between the value of the product supplied to date in the Contract Year and the deliverable amount.
- 5.27.10.9. Annexure A to the agreement outlined General and Specific Sponsorship Rights afforded to Coca Cola including inter alia the following:
  - 5.27.10.9.1. Official Designation;
  - 5.27.10.9.2. Tickets, hospitality and attendance at CSA Events;
  - 5.27.10.9.3. Memorabilia;
  - 5.27.10.9.4. Naming Rights;
  - 5.27.10.9.5. Official Designation;
  - 5.27.10.9.6. Use of CSA Marks and Imagery;
  - 5.27.10.9.7. Use of Composite Logo;
  - 5.27.10.9.8. Branding Rights;
  - 5.27.10.9.9. Advertising and promotional rights; and
  - 5.27.10.9.10. Broadcasting and Event content.

5.27.10.10. Based on documentation provided to us by CSA officials, we determined that the following deliveries were made by Coca Cola in respect of the contract:

Year	Period	Total VIK Value
2017	4 Jan 2017 – 27 Dec 2017	R2 148 515,69
2018	5 Jan 2018 – 27 Dec 2018	R2 637 570.00
2019	3 Jan 2019 – 27 Dec 2019	R2 879 893.61

5.27.11. **NAMING RIGHTS AND SPONSORSHIP AGREEMENT BETWEEN COCA COLA AND CSA- HIGH PERFORMANCE PROGRAMME**

5.27.11.1. Based on documentation reviewed, we determined that CSA entered into Naming Rights and Sponsorship Agreement with Coca Cola. The agreement related to the following teams:

- 5.27.11.1.1. The Proteas National Cricket Teams;
- 5.27.11.1.2. The CSA National Cricket Academy;
- 5.27.11.1.3. The CSA Centre of Excellence;
- 5.27.11.1.4. The South African “U19” Team; and
- 5.27.11.1.5. Various other CSA High Performance Properties.

5.27.11.2. According to the sponsorship agreement, the above teams were collectively referred to as “the High Performance Programme”.

5.27.11.3. Paragraph 2.2 of the agreement provided that Coca Cola would extend sponsorship to CSA in respect of the High-Performance Programme and the Team through its Powerade brand.

5.27.11.4. According to paragraph 2.3 of the agreement, Coca Cola would be an exclusive title sponsor of and to the High-Performance Programme and the Team, and accordingly, sponsorship rights relating to each of them for its use, exercise, enjoyment and exploitation.

**Commencement and Term**

5.27.11.5. According to the agreement, the contract period was two years effective from Signature date and would continue until 31 August



2021.

- 5.27.11.6. At the end of year 2 of the contract, Coca Cola would have an option to extend the term of the agreement for 1 year on the same terms and conditions provided that if an option is exercised by Coca-Cola, the respective Sponsorship Fee for contract year 2 shall increase by the greater of the CPI increase or 6% (six percent), calculated on a compounded basis.
- 5.27.11.7. We determined that the agreement was signed by Wis Avellan on 11 December 2019 and by Govender on 24 December 2019 on behalf of Coca Cola and CSA respectively.

### **Product Supply Commitments**

- 5.27.11.8. Paragraph 7.1 of the agreement provides that *“Coca Cola shall at its sole cost and expense free of charge to CSA, supply Brand Sector Products, as set out in Annexure D as requisitioned by CSA (in particular for use by and for the High Performance Programme and the Teams) per contract year for the duration of the Term, where such value shall be calculated at the Retail Price applicable as at 1 February of each contract year, provided that all product requisitions shall be made in writing and shall be submitted to Coca Cola a minimum of 2 weeks prior to delivery date and shall be reasonable in context taking into account team needs, and in particular with respect to supply at or around Matches and for Matches played by the Teams in the Territory shall take into account Team needs within their dressing rooms and Team rooms, and their applicable needs in training, during practice and on the field of play and otherwise on match days (pre, during and post match), and Coca-Cola shall ensure that the applicable refrigerators and cooler boxes within the Territory remain properly stocked at all relevant times”*.
- 5.27.11.9. According to paragraph 7.6, Coca Cola shall at the end of each month throughout the Term, supply CSA with written monthly reconciliation of all product requisitions actually supplied to CSA, such reconciliation to show monthly and cumulative figures to date for the applicable contract year. We were not provided with reconciliation of products requisitioned and supplied to CSA.
- 5.27.11.10. In terms of paragraph 7.7, if at the end of a contract year CSA has

not requisitioned and received free product from Coca Cola to the aggregate value of the value as stated in Annexure D of the agreement, Coca Cola shall by no later than the final day of the contract year deliver to CSA (at Coca Cola's sole cost and expense free of charge to CSA), Brand Sector Product equal in value to the difference between the value of the product supplied to date in the contract year and the deliverable amount.

5.27.11.11. According to Annexure D of the Agreement, the Brand Sector Products for 2020 would be distributed as follows:

Distribution Area	Value R
Powerade HPC monthly product deliveries and Powerade Academy Deliveries	88 426.68
SA Emerging Men and SA A Side Average	177 830.35
SA Emerging Women Average	60 035.03
Monthly Deliveries to CSA Offices	28 303.44
Protea Men Average	579 576.00
Protea Women Average	199 43.73
<b>Total</b>	<b>1 133 610.23</b>

5.27.11.12. We determined that in terms of Annexure A of the agreement, the following sponsorships and partnership rights were afforded to Coca Cola:

- 5.27.11.12.1. Naming rights;
- 5.27.11.12.2. Official designation;
- 5.27.11.12.3. Use of CSA Marks and Imagery;
- 5.27.11.12.4. Tickets, hospitality and attendance at CSA Events;
- 5.27.11.12.5. Memorabilia;
- 5.27.11.12.6. Branding rights;

5.27.11.12.7. Advertising and promotional rights; and

5.27.11.12.8. Broadcasting.

5.27.11.13. We were provided with delivery notes relating to the drinks ordered for High Performance Camps as well as SA U19 and National Academy Programmes.

5.27.11.14. Based on documentation provided to us by CSA officials, we determined that from the period 7 January 2020 to 13 March 202, Coca Cola made deliveries to the value of R876 622. Pailwan indicated that some of the deliveries were cancelled due to the lock down.

5.27.11.15. According to Pailwan, some of the product would be provided to CSA staff on request for staff functions.

5.27.11.16. We were not provided with requisitions for the Brand Sectors products in respect of the 2017 contract and the 2019 contract.

5.27.11.17. There is further no evidence how CSA accounted for VIK in respect of the two contracts.

**5.27.12. BROADCAST LICENCE AGREEMENT BETWEEN CSA AND SABC**

5.27.12.1. We determined that CSA and SABC entered into a Broadcast Licence Agreement relating to the 2019/20 Inbound Cricket Tour and 2019 Mzansi Super League.

5.27.12.2. In terms of paragraph 7.8 of the agreement, in respect of the League matches, SABC shall at no cost to CSA and/or its production services provider, provide CSA and/or CSA production service providers, with 4 television outside broadcast vans as part of value add by the Licensee. The value add by the licensee includes:

5.27.12.2.1. Television outside broadcast van facilities for live broadcast (OB Vans/Units) in respect of all 32 (thirty two) League Matches at a value not exceeding R11 000 000 (Eleven Million Rand); and

5.27.12.2.2. Any other production equipment as CSA and/or its production service providers may require from time to

time, which will be subject to SABC issuing a rate card based quotation and CSA paying for such costs.

### **Production Agreement between CSA and GSC**

5.27.12.3. Based on document reviewed, we determined that in 2019, CSA entered into a Production Agreement with GSC for the provision and delivery of Production Services in respect of the MSL. The contract price was R31.5 million per contract year less R8 million (quoted for the provision of OB units by GSC). As indicated above, SABC provided to CSA OB units and related equipment valued at R11 million (at no cost to CSA). CSA were therefore no longer required to procure/pay for the said OB unit from GSC.

5.27.12.4. Pailwan indicated that GSC had quoted R8 million for the OB Vans/Units. According to Pailwan, CSA could only recognise R8 million in the accounts and not R11 million as reflected in the Broadcast Licence Agreement with SABC.

### **5.27.13. SUPPLIER AGREEMENT BETWEEN CSA AND KEMACH EQUIPMENT**

5.27.13.1. Based on documentation reviewed, we determined that in October 2017, CSA entered into a 3 year supplier agreement with Kemach Equipment.

5.27.13.2. The contract commenced on 17 October 2017 and would expire on 30 September 2020.

5.27.13.3. According to paragraph 4.1 of the agreement, CSA appointed Kemach as the official suppliers of Compactor Machines to CSA and the Teams, and granted to Kemach all rights detailed in Annexure A of the agreement.

5.27.13.4. In terms of paragraph 9.1 of the agreement, in consideration for the Rights, Kemach agreed that it would provide VIK in the form of new machines worth an amount of R4 075 000.00 to CSA on a loan basis free of any consideration, for the duration of the Terms as follows:

5.27.13.4.1. 10 machines in respect of Contract Year 1; and

5.27.13.4.2. An additional 5 machines in respect of Contract Year 2; and

- 5.27.13.4.3. An additional 5 machines would be added in respect of Contract Year 3.
- 5.27.13.5. According to paragraph 9.2, the machines would be provided to CSA in respect of each Contract Year on dates to be agreed between the parties.
- 5.27.13.6. In terms of paragraph 9.3, Kemach would remain the owner of the Machines during the Term and would be liable for all service requirements in relation thereto.
- 5.27.13.7. According to the agreement, on the expiry date, all rights and title in the Machines would be transferred by Kemach directly to the school or club designated by CSA at no additional consideration. Kemach would further sign any documentation required by law to confirm the transfer of ownership of the machines to such school or club.
- 5.27.13.8. According to paragraph 3 of Annexure A to the agreement, Kemach would be entitled to the following tickets (each ticket admitting one person) for no consideration.
- 5.27.13.9. 4 X VIP tickets for all home international matches under the auspices of CSA.
- 5.27.13.10. According to paragraph 4.3 of Annexure A to the agreement, the Kemach Brand shall be displayed on at all venues that have been issued a Machine in terms of the agreement excluding five test venues.
- 5.27.13.11. In terms of paragraph 5.1 of Annexure A of the agreement, Kemach would be entitled to receive 1 signed bat by the Protea per Contract Year.
- 5.27.13.12. We determined that the contract was signed on 7 November 2017 by Moroe and Les Lothias on behalf of CSA and Kemach respectively.
- 5.27.13.13. We requested a register of machinery delivered by Kemach from the commencement of the agreement. According to the register provided by Mngqobi Zondi, CSA Sponsor Services Manager, we determined that the machines were delivered at the following

## hubs and Regional Performance Centres (RPC):

Cricket SA - Hub/RPC - Roller Details - Year 1						
Machine	Serial Number	Beneficiary	Hub/RPC	Handover Date	Support End Date	Value
VMT260-120	2499039	GAUTENG CB	Dobsonville RPC	19-Jan-18	18-Jan-21	385,000
VMT160-90	2499028	NORTHERNS CU	Prestige Focus School	28-Mar-18	27-Mar-21	295,000
VMT260-120	2558119	NORTHERN CU	Hammanskraal Hub	28-Mar-18	27-Mar-21	385,000
VMD100	2704896	BORDER CU	Mdantsane Hub	22-Feb-18	21-Mar-21	188,000
VMT160-90	2417145	BORDER CU	Fort Hare University (Alice RPC)	22-Feb-18	21-Feb-21	295,000
VMD70	2705030	EP CU	Gelvandale Hub	14-Dec-17	13-Dec-20	169,000
VMT160-90	2499062	SWD CU	Brighton RPC	14-Dec-17	13-Dec-20	295,000
VMT160-90	2417182	KZN CU	Chatsworth RPC	07-Dec-17	06-Dec-20	295,000
VMT160-90	2417193	NORTHERN CAPE CU	Yorkshire RPC	16-Jan-18	15-Jan-21	295,000
VMT160-90	2499065	WP CA	Khayelitsha Hub	21-Dec-17	20-Dec-20	259,000
<b>Total</b>						<b>2 861 000</b>

Cricket SA - Hub/RPC - Roller Details - Year 2						
Machine	Serial Number	Beneficiary	Hub/RPC	Handover Date	Support End Date	Value
VMD100	2576684	Eastern CU	Duduza Hub - Benoni	12-Dec-18	11-Dec-21	225,000

Cricket SA - Hub/RPC - Roller Details - Year 2						
Machine	Serial Number	Beneficiary	Hub/RPC	Handover Date	Support End Date	Value
VMD100	2576692	EP CU	Zwide Hub - PE	12-Dec-18	11-Dec-21	225,000
VMD160-90	2417192	GAU CU	Alexandra Hub - JHB	12-Dec-18	11-Dec-21	395,000
VMT160-90	2558144	BORDER CU	Healdtown Hub - Forte Hare	11-Dec-18	10-Dec-21	395,000
VMT160-90	2558145	GAU CU	Queen College - Hub - Jhb	12-Dec-18	11-Dec-21	395,000
<b>Total</b>						<b>R1 635 000.00</b>

Cricket SA - Hub/RPC - Roller Details - Year 3						
Machine	Serial Number	Beneficiary	Hub/RPC	Handover Date	Support End Date	Value
VMD100	2576686	SWD CU	Thembaletu Hub - George	17-Jul-19	16-Jul-22	225,000
VMD100	2576693	KZN CU	Illembe Hub - KwaDukuza	14-Oct-19	13-Oct-22	225,000
VMD70	2576688	WPCA	Western Cape sport School - Bellville	27-Aug-19	26-Aug-22	198,000
VMD70	2576689	WPCA	Bellville Technical School	27-Aug-19	26-Aug-22	198,000
VMD70	2576691	NORTHERNS CU	Capricorn High School	07-Oct-19	06-Oct-22	198,000
<b>Total</b>						<b>1 044 000.00</b>

5.27.13.14. Based on documentation provided to us by CSA, we determined

that Kemach delivered machines at the various Hubs and RPCs to the value of R5 540 000 for the period 7 December 2017 to 7 October 2019.

5.27.13.15. We further determined that Kemach machines were delivered at the following test venues:

Cricket SA - Test Venue - Roller Detail					
Machine	Serial Number	Beneficiary	Hub/RPC	Handover Date	Support End Date
VMT260-120	2499071	Gauteng CB	Wanderers Stadium	05-Feb-18	04-Feb-21
VMT260-120	2558117	WP CA	Newlands Stadium	14-Mar-18	13-Mar-21
CT260-120	2702582	KZN CU	Kingsmead Stadium	6-Dec-19	05-Dec-22
CT160-100	2702887	Titans Cricket	Supersport Park - Centurion	24-Jan-20	23-Jan-23

5.27.13.16. We noted that Kemach delivered machines at the various Hubs and RPC in line with the terms of the agreement. We further noted that an additional four machines were delivered at the test venues. We determined that the VMT/CT260-120 and CT160-100 are valued at R482,000 and R399,000 respectively.

#### 5.27.14. **OFFICIAL KIT SUPPLIER AGREEMENT BETWEEN NEW BALANCE AND CSA - MAY 2015**

5.27.14.1. We determined that in May 2015, CSA entered into a Sponsorship Agreement with New Balance in terms of which the latter had exclusivity as the official apparel supplier of Team Kit and Products to CSA, its Teams, Staff and Players and CSA's official merchandising partner.

5.27.14.2. We determined that the contract was valid for 5 years commencing 1 May 2015 and expiring on 30 April 2020.

5.27.14.3. The contract was signed by Lorgat on 20 April 2015 and John Larsen on 30 April 2015 on behalf of CSA and New Balance



respectively.

- 5.27.14.4. According to paragraph 5.1 of the agreement, New Balance shall be entitled to present at the annual CSA sponsors forum/meeting, to provide an opportunity for New Balance to engage with other current CSA sponsors. CSA would refer all requested by CSA sponsors for promotional gear to New Balance where appropriate provided that New Balance shall offer CSA sponsors staff discount in respect of all Products.
- 5.27.14.5. In terms of paragraph 5.2 of the agreement, New Balance shall be entitled to the following during the Term for no additional consideration:
  - 5.27.14.5.1. One table of 10 persons at the annual CSA Awards;
  - 5.27.14.5.2. One fourball in the annual CSA Golf Day consisting of 3 New Balance representative and a Protea player;
  - 5.27.14.5.3. Four hospitality tickets for each day of each Home International hosted under the auspices of CSA in South Africa;
  - 5.27.14.5.4. Ten grandstand tickets for each day of each Home International played in South Africa;
  - 5.27.14.5.5. Two VIP presidential or equivalent suite match tickets for each day of each Home International played in South Africa; and
  - 5.27.14.5.6. Venue accreditation for such number of New Balance staff or representatives as may be necessary and advised by New Balance from time to time during the Term.
- 5.27.14.6. According to paragraph 6 of the agreement, New Balance shall be entitled to 5 (five) signed ODI, Twenty20 and Test Cricket shirts and 5 signed bats per contract year signed by all members of the full Proteas team.
- 5.27.14.7. We determined that in terms of paragraph 10 of the agreement, in addition to paying the Rights Fees, New Balance had agreed to provide at the commencement of each contract year, the Team Kit

and Products to or for the benefit of the Teams, the Players and the Staff for no consideration to the value of the following, based on Wholesale Selling Price (exclusive of VAT):

- 5.27.14.7.1. In respect of Contract Year 1 R 5 840 000 exclusive VAT;
  - 5.27.14.7.2. In respect of Contract Year 2 R6 192 000 excluding VAT;
  - 5.27.14.7.3. In respect of Contract Year 3 R6 560 excluding VAT;
  - 5.27.14.7.4. In respect of Contract Year 4 R7 120 000 excluding VAT; and
  - 5.27.14.7.5. In respect of Contract Year 5 R7 376 000 excluding VAT.
- 5.27.14.8. According to paragraph 10.2 of the agreement, in addition, New Balance had agreed to provide CSA with New Balance Footwear Products to the annual value of R160 000.00 at the commencement of each Contract Year, for use by Teams, Staff and Players. The amount would escalate in respect of each Contract Year after Contract Year 1 at a rate of 6%.
- 5.27.14.9. In terms of paragraph 10.3 of the agreement, any product in excess of the allowance set out in paragraph 10.1 and 10.2 that are ordered by CSA from New Balance would be purchased at New Balance's Wholesale Selling Prices plus VAT.
- 5.27.14.10. We were not provided with information and or invoices relating to team kit and other items delivered to CSA for the past five years.
- 5.27.14.11. Pailwan indicated that VIK contract relating to New Balance is recorded in the Barter Expense account in the Commercial Unit. According to Pailwan, an invoice is raised by New Balance and a Counter invoice by CSA which nets off each other.
- 5.27.14.12. We were further not provided with record and or register relating to the distribution of the items to the CSA staff and various cricket teams.

**5.27.15. OFFICIAL KIT SUPPLIER AGREEMENT BETWEEN CSA AND NEW BALANCE – JANUARY 2019**

- 5.27.15.1. Based on documentation reviewed we determined that CSA and New Balance entered into an agreement in terms of which CSA appointed New Balance as the official apparel supplier of Team kit and Products to CSA, its Team, Staff and Players and CSA's official merchandising partner. Furthermore, CSA would grant New Balance certain rights and licenses, and impose upon New Balance certain rights and licenses, and impose upon New Balance certain obligations, associated with those appointments.
- 5.27.15.2. The agreement commenced on 1 January 2019 with an expiry date on 31 December 2023 and an option to extend until 30 April 2024.
- 5.27.15.3. We noted that CSA entered into a new KIT Supplier Agreement with NB before the expiry of the previous agreement. As indicated above, the previous agreement would only expire on 30 April 2020.
- 5.27.15.4. According to paragraph 10.1 of the contract, New Balance agreed to provide at the commencement of each Contract Year the Team Kit and Products to or for the benefit of the Team, the Players and the Staff for no consideration to the value of the following based on wholesale Selling Price:
  - 5.27.15.4.1. In respect of Contract Year 1 R7 700 000.00 excluding VAT;
  - 5.27.15.4.2. In respect of Contract Year 2 R8 162 000.00 excluding VAT;
  - 5.27.15.4.3. In respect of Contract Year 3 R8 651 720.00 excluding VAT;
  - 5.27.15.4.4. In respect of Contract Year 4 R9 170 823.00 excluding VAT; and
  - 5.27.15.4.5. In respect of Contract Year 5 R9 721 072.00 excluding VAT.
- 5.27.15.5. Paragraph 10.2 of the agreement provides that New Balance agree to provide CSA with New Balance Footwear Products to the

annual would value of R200 000.00 at the commencement of each Contract Year, for use by Teams, Staff and Players. The amount would escalate in respect of each Contract Year after Contract Year 1 at a rate of 6%.

- 5.27.15.6. According to paragraph 10.3 of the agreement, any product in excess of the allowance set out in paragraph 10.1 and 10.2 that are ordered by CSA from New Balance would be purchased at New Balance's Wholesale Selling Prices plus VAT.
- 5.27.15.7. In terms of paragraph 10.4 of the agreement, the VIK contribution of Team Kit and Products in paragraph 10.1 would not accumulate or carry over from one contract Year to the next.
- 5.27.15.8. We determined that Annexure A to the agreement outlined various rights afforded to New Balance subject to terms and conditions of the agreement.
- 5.27.15.9. The rights afforded to New Balance included inter alia the following:
  - 5.27.15.9.1. Official Partner Rights;
  - 5.27.15.9.2. Use of CSA Marks and Imagery;
  - 5.27.15.9.3. Rights to Use Players and Player Attributes;
  - 5.27.15.9.4. Merchandising Rights;
  - 5.27.15.9.5. Ticket, hospitality and attendance at CSA Events;
  - 5.27.15.9.6. Memorabilia; and
  - 5.27.15.9.7. In-Venue Match Promotion/Activation Rights and Benefits.
- 5.27.15.10. We determined that the agreement was signed by Moroe and Darren Tucker on 31 January 2019.

#### **Distribution of Kit to players**

- 5.27.15.11. We requested invoices relating to team kit and other items delivered by New Balance for the past five years as well as the reconciliation relating to the distribution of the items.
- 5.27.15.12. In an email dated 17 June 2020, Michele Schmidt ("Schmidt"), CSA

Travel and Logistics Manager inter alia outlined the process followed by CSA when receiving and distributing the kit to players. According to Schmidt, upon receipt of the goods from NB, the items received are counted and checked against the invoice received. Any discrepancies are reported to New Balance within 7 working days.

- 5.27.15.13. Schmidt further provided us with the 2018/2019 inventory sheet compiled by her. Schmidt indicated that prior to compiling the 2018/2019 inventory sheet, the relevant documents were lost as data redundancy procedures had not been fully implemented across CSA at the time. Schmidt further indicated that the officials responsible for assisting her with stock management up until 2018 passed away and his position had not been filled.
- 5.27.15.14. Schmidt indicated that in light of the above, the kit would be made available to the relevant party if and when they needed it. According to Schmidt, the nature of kit management is such that many players and management request either playing or practice kit on short notice resulting in micro-management of stock being impractical to do alone. Schmidt indicated that the issue had been noted at EXCO level.
- 5.27.15.15. During our consultation with Pailwan, she indicated that CSA does not have a VIK Policy. Pailwan further indicated that prior to the 2019/2020 financial, CSA did not keep a VIK register in respect of goods distributed to CSA officials.
- 5.27.15.16. Pailwan provided us with a spread sheet containing details of good issued to CSA officials. According to Pailwan, the said spreadsheet was only prepared in mid-2019 and served as the VIK register.
- 5.27.15.17. We noted that the spreadsheet had three workbooks namely Partners Forum and VIK in respect of clothing distributed to CSA officials as well as Signed Bats in respect of bats distributed to CSA Sponsors.
- 5.27.15.18. We further noted that the spreadsheet does not provide the value of the goods and the date the said goods were distributed to the

CSA officials.

- 5.27.15.19. We were not provided with full record of what was received from NB in terms of the two contracts. We were further not provided with full record of what was distributed in terms of what was delivered to CSA.
- 5.27.15.20. CSA does not keep a full register of items distributed to players and CSA staff. The non-availability of a complete record is a risk as items could be distributed irregularly.
- 5.27.15.21. Pailwan indicated that the Department has identified the non-availability of a full register as a gap. According to Pailwan, the VIK statements show the amount used but they would have to ask each department/team to assist with copies of the delivery notes in order to determine the actual stock delivered.
- 5.27.15.22. We were not provided with records of how the VIK contract with NB is accounted for and managed by CSA for the period under review.

**5.27.16. OFFICIAL SUPPLIER AGREEMENT BETWEEN CSA AND RAM TRANSPORT**

- 5.27.16.1. We determined that in May 2017, CSA entered into a 3 year supplier agreement with RAM Transport in terms of which the latter would provide courier and express parcel delivery services within South Africa, being the collection, transportation and delivery of sealed envelopes, flyers, parcels, packaged, boxes, cartons or containers packed by CSA and/or the Teams and tendered to RAM for the provision of the services.
- 5.27.16.2. The supplier agreement was valid from 1 January 2017 and expired on 31 December 2019.
- 5.27.16.3. According to paragraph 10.1 of the Agreement, RAM agreed to provide the Services to or for the benefit of CSA and the Teams on any economy service basis, in each case for no consideration and in accordance with the information on the relevant waybill.
- 5.27.16.4. In terms of paragraph 10.2 of the agreement, any instruction for CSA or any Team to RAM to provide any Service would be

- tendered by the due completion of a waybill provided by RAM. Unless otherwise agreed in writing and signed by RAM, no other instruction, whether verbal or written, would be binding on RAM.
- 5.27.16.5. Paragraph 10.3 of the agreement provides that the value of the VIK in respect of services provided on an economy service basis excluding VAT, would be a maximum aggregate amount equal to:
- 5.27.16.5.1. *Clause 10.3.1 - R1 000 000 in respect of Contract Year 1;*
- 5.27.16.5.2. *Clause 10.3.2 - R1 000 000 in respect of Contract Year 2 plus CPI increases;*
- 5.27.16.5.3. *Clause 10.3.2 – the amount in clause 10.3.2 plus a CPI increase in respect of Contract Year 3.*
- 5.27.16.6. We determined that the agreement was signed by Lorgat on 25 May 2017 and Alan Da Costa on 30 March 2017 on behalf of CSA and RAM Transport respectively.
- 5.27.16.7. According to Annexure A to the agreement, RAM would be entitled to inter alia the following for no consideration:
- 5.27.16.7.1. *Paragraph 3.1.1, 10 X Hospitality tickets for all home international matches under the Auspices of CSA;*
- 5.27.16.7.2. *Paragraph 3.1.2, 20 X Grandstand tickets for all home international matches under the auspices of CSA*
- 5.27.16.7.3. *Paragraph 4.1, RAM would be entitled to 10 X “RAM Fan meet the player” activation opportunities at the Protea team hotel.*
- 5.27.16.7.4. *Paragraph 5, RAM would be entitled to receive 6 (six) signed bats by the Proteas per Contract Year.*
- 5.27.16.8. Pailwan indicated that the VIK contract relating to RAM Transport is recorded in the Barter account. Pailwan indicated that CSA pays RAM and at the end of the year, RAM issues a statement detailing invoices falling in the VIK (economy services only). According to Pailwan, an invoice is then raised to RAM to account for the amount.
- 5.27.16.9. We were not provided with a report on the rights afforded to RAM

in terms of the contract.

**5.27.17. OFFICIAL SUPPLIER AGREEMENT BETWEEN CSA AND PHIZZ LTD**

- 5.27.17.1. We determined that CSA and Phizz Ltd entered into an official supplier agreement in December 2019. According to the agreement, CSA appointed Phizz as the official supplier to CSA and its Teams, Players and Staff. Furthermore CSA granted Phizz certain rights and licenses, and imposed upon Phizz certain obligations, associated with the appointment.
- 5.27.17.2. The agreement was valid from 1 December 2019 and would lapse on 31 October 2020.
- 5.27.17.3. In terms of paragraph 7.1 of the agreement, Phizz agreed to provide at the commencement of the agreement, 240 tubes flavoured effervescent tablets to or for the benefit of the Teams, the Players and the Staff for no consideration. Additional tubes beyond the amount would be charged at wholesale price.
- 5.27.17.4. According to paragraph 7.2 of the agreement, Phizz would deliver the VIK Products referred to in paragraph 7.1 within fourteen Calendar Days of the Signature date to CSA at Phizz's cost.
- 5.27.17.5. We determined that the agreement was signed by Govender on 11 December 2019 and Yasmin Badiani on 12 December 2019 on behalf of CSA and Phizz respectively.
- 5.27.17.6. In terms of paragraph 7.1 of the agreement, Phizz was required to deliver 240 tubes of flavoured effervescent tablets by 26 December 2019.
- 5.27.17.7. Paragraph 7.4 of the agreement provided that the VIK contribution of Products in paragraph 7.1 would accumulate or carry over from one year to the next.
- 5.27.17.8. According to Annexure A of the agreement, Phizz is entitled to inter alia the following rights:
  - 5.27.17.8.1. Official Partner Rights
  - 5.27.17.8.2. Use of CSA Marks and Imagery
  - 5.27.17.8.3. Rights to Use Player and Player Attributes



5.27.17.8.4. Tickets, hospitality and attendances at CSA Events;

5.27.17.8.5. Memorabilia;

5.27.17.8.6. Advertising and promotional rights; and

5.27.17.8.7. In-Venue Match Promotions/Activation Rights and Benefits.

5.27.17.9. Pailwan indicated that CSA has received 120 tubes thus far. Pailwan further stated that the tubes were provided to the physios of the teams for use during games and training.

5.27.17.10. Pailwan indicated that the VIK benefit in respect of Phizz is not recorded in the CSA books as it is just a product.

5.27.17.11. We were further not provided with documentation relating to the distribution of the items from Phizz as well as a report on the rights afforded to Phizz in respect of the contract.

**5.27.18. OFFICIAL SUPPLIER AGREEMENT BETWEEN CSA AND BITCO TELECOMS**

5.27.18.1. We determined that CSA entered into a 5 (five) year official supplier agreement with BitCo Telecoms.

5.27.18.2. According to paragraph 4.1 of the agreement, CSA appointed BitCo as the official internet service supplier of the Services to CSA and the Teams, and grants to BitCo all rights detailed in Annexure A to the agreement.

5.27.18.3. In terms of paragraph 9.1 of the agreement, BitCo agreed to provide the Services to or for the benefit of CSA and the Teams, in each case for no consideration.

5.27.18.4. According to paragraph 9.2 of the agreement, the value of the VIK in respect of Services provided, excluding VAT, would be a maximum aggregate amount equal to seven million (R 7 000 000.00) which amount would escalate annually by 6%.

5.27.18.5. Annexure A to the agreement provides for rights afforded to BitCo as follows:

5.27.18.5.1. Official designation;

- 5.27.18.5.2. Use of CSA Marks and Imagery;
- 5.27.18.5.3. Tickets and hospitality;
- 5.27.18.5.4. Advertising and promotions rights; and
- 5.27.18.5.5. Memorabilia.
- 5.27.18.6. We determined that the agreement was signed by Jarryd Chatz on 23 November 2017 and Moroe on 6 February 2018 on behalf of BitCo and CSA respectively.
- 5.27.18.7. We determined that the agreement was effective from 1 November 2017 for a period of 5 years.
- 5.27.18.8. We were not provided with a reconciliation form relating to the services provided by BitCo for the duration of the contract. We were further not provided with a report relating to the rights afforded to BitCo.

#### **CONCLUSIONS RELATING TO VIK**

Based on documentation reviewed and consultations conducted with CSA officials and third parties, we conclude as follows:

- 5.27.19. CSA does not have a VIK policy or guideline;
- 5.27.20. There is no centralised control or management over the VIK Products;
- 5.27.21. There is no complete register for items distributed to CSA staff and various cricket teams in respect of the VIK products. CSA is therefore unable to account who received VIK products and whether CSA derived the value and intended use from the VIK products;
- 5.27.22. In most instances, there is no reconciliation of the items received from sponsors in respect of the agreements as well as records of how the items were distributed. We are therefore unable to confirm that all VIK products were received as per the agreement;
- 5.27.23. There is a risk that VIK products are not used and/or applied in the best interest of CSA.

#### **RECOMMENDATIONS RELATING TO VIK**

Based on the findings discussed above, we recommend that CSA considers the following:

- 5.27.24. Develop a VIK policy or guideline;
- 5.27.25. Ensures that there is centralised control and management of the VIK products;  
and
- 5.27.26. Keep a detailed register of items distributed to CSA staff and various team members in respect of VIK products.

5.28. **ORGANISATIONAL DESIGN**

- 5.28.1. It is our understanding that in December 2017, CSA Board approved Management's proposal to independently:
- 5.28.2. Conduct a review to determine whether CSA's organisational structure was fit for purpose and its staffing levels were appropriate;
- 5.28.3. Conduct a skills audit to identify the skills and knowledge that CSA requires, as well as the skills and knowledge that the CSA had; and
- 5.28.4. Develop a succession plan with an objective of increasing the availability of experienced and capable employees that are prepared to assume leadership roles in CSA as and when they become available.
- 5.28.5. We determined that during 2018, CSA appointed 21st Century to assist with the Organisational Design ("OD") project.
- 5.28.6. We did not investigate the process followed by CSA in the appointment of 21st Century as we were not required to do so.

**Activities conducted by the OD Specialist in respect of the OD project**

- 5.28.7. We determined that on 19 March 2018, the OD Specialist held a kick-off meeting to *inter alia* discuss the project activities and methodologies and how the data gathering phase would impact the various parts of CSA that fell within the scope of the project.
- 5.28.8. During March 2018, the OD Specialist had various interviews with EXCO members to collect *inter alia* the following information:
  - 5.28.8.1. Existing organisation design and possible changes thereto;
  - 5.28.8.2. Workload distribution; and succession planning elements;
  - 5.28.8.3. Documented strategy; and
  - 5.28.8.4. Job descriptions of all positions that fell within the scope of the project.

- 5.28.9. It is our understanding that the OD Specialist developed timesheets for April 2018 for completion by all CSA staff members. It is our understanding that the purpose of the exercise was to obtain data on utilisation levels as key input into assessing workload of CSA staff.
- 5.28.10. It is further our understanding that the OD Specialist also developed a skills audit template for CSA staff that fell within the scope of the project. We understand that upon completion (by staff members) of the timesheets and skills audit templates, the said templates were moderated by respective Managers.
- 5.28.11. We determined that during May 2018, the OD Specialist analysed data obtained from CSA for purposes of the project and provided a draft report of his findings.

#### **HR and Remuneration Committee Meeting of 8 May 2018**

- 5.28.12. We determined from documentation reviewed that on 8 May 2018, CSA held an HR and Remuneration Committee meeting.
- 5.28.13. According to the minutes of the Remco meeting, the following individuals were in attendance.

##### **Members**

- Dawn Mokhobo (Chairperson) (DM)
- Tando Ganda (TG)
- Rihan Richards (RR)

##### **Attendees**

- Thabang Moroe (TM) (Acting CE);
- Ziyanda Nkuta (ZN) (Acting CFO);
- Musa Gubevu (MG) (Head of HR);
- Naasei Appiah (NA) (Acting COO);
- Lindiwe Ndziba (LN) (Head of Compliance and Secretarial);
- Dalene Nolan (DN) (Scribe);

##### **Apologies**

- Oupa Nkagisang (ON)

- 5.28.14. We noted from a review of the minutes of the said meeting that Gubevu advised

the Committee that the recommendations of the OD project conducted by the Independent Payroll and Remuneration Solutions Company (21st Century) would be presented to the CSA Board for approval at its next meeting.

### **Board Meeting of 2 June 2018**

5.28.15. On 2 June 2018, the Board held a meeting at the Sandton Sun Hotel in Johannesburg. According to the minutes of the Board meeting, the following individuals were in attendance:

#### **Directors:**

- Chris Nenzani (Chairman)
- Zola Thamae (ZT)
- Thabang Moroe - Vice-President (TM)
- Norman Arendse SC\* (LID)
- Beresford Williams (BW)
- Louis von Zeuner\* (LvZ)
- Iqbal Khan\* (MIK)
- Fa-eez Jaffar (FJ)
- Vusi Pikoli\* (VP)
- Rihan Richards (RR)
- Tando Ganda (TG)
- Dawn Mokhobo\*

#### **Attendees:**

- Naasei Appiah (Acting COO)
- Ziyanda Nkuta (Acting CFO)
- Lindiwe Ndziba (Head of Compliance)

#### **Invitees:**

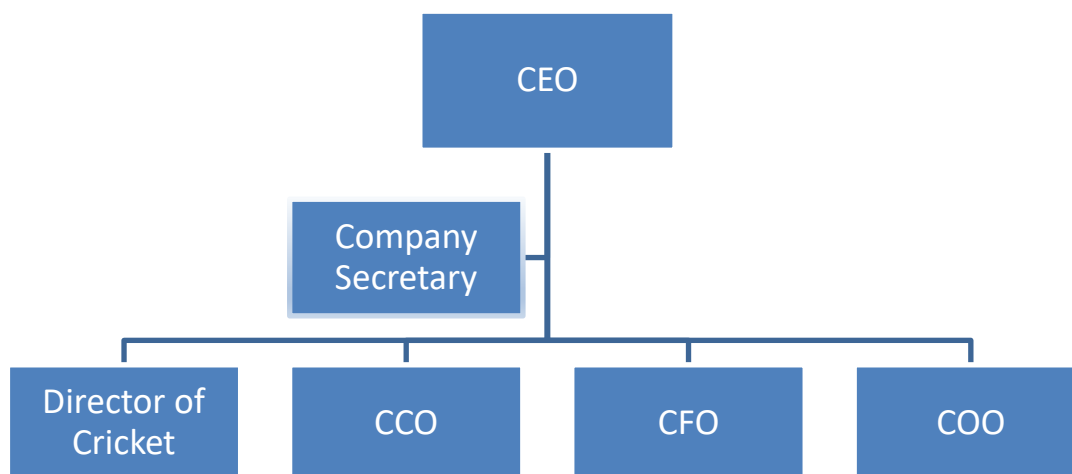
- Ottis Gibson (National Team Head Coach)
- Anton Bruwer (21st Century Consultant)

5.28.16. Based on the minutes of the Board meeting, Moroe was Vice President and

Acting CEO of CSA at the time.

5.28.17. According to the minutes of the meeting, the Chairman (Nenzani) advised the Board that his report would be replaced by a presentation on the recently concluded OD. We determined from a review of the minutes that Anton Bruwer (“Bruwer”) from 21st Century, presented the recommended organisational structure of CSA.

5.28.18. According to Bruwer’s report, the structure relating to Executives was as follows:



5.28.19. According to Bruwer’s report, the Director of SA Cricket position was a new proposed position in the OD.

5.28.20. We determined that the Executives reporting to the CEO would be allocated inter alia the following functions.

Director of SA Cricket	CCO	CFO	COO
<ul style="list-style-type: none"> <li>• Proteas Women</li> <li>• Proteas Men</li> <li>• SA “A” National Academy</li> <li>• Under 19</li> <li>• High Performance Pathways</li> <li>• Cricket Pathways</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing</li> <li>• Media and Communications incl. Social Media</li> <li>• Corporate Events/Hospitality</li> </ul>	<ul style="list-style-type: none"> <li>• All financial and supply chain functions centralised end-to-end under the CFO</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation</li> <li>• Live events (International home fixtures and domestic leagues)</li> <li>• Strategy Custodian</li> </ul>

Director of SA Cricket	CCO	CFO	COO
<ul style="list-style-type: none"> <li>• Convenor of Selection</li> <li>• Coaching Pathways</li> <li>• Match Officials Pathways</li> </ul>	<ul style="list-style-type: none"> <li>• Sales (Merchandise Licensing etc.)</li> <li>• Broadcast Rights</li> <li>• Other Media Rights</li> <li>• Digital Media</li> <li>• Commercial Partnerships Sponsorships</li> <li>• Networking</li> <li>• Niche relationships</li> <li>• Contract oversight/renewals</li> <li>• Commercial research/benchmarking</li> </ul>	including all travel	<ul style="list-style-type: none"> <li>• Business Planning</li> <li>• Custodian Project Oversight (All projects)</li> <li>• Project Benefits</li> <li>• Measurement and Evaluation</li> <li>• Policy Custodian</li> <li>• Full spectrum HR</li> <li>• ICT</li> <li>• ICC unit oversight</li> <li>• Office support</li> </ul>

5.28.21. We further determined that the CoSec would be allocated the following functions:

5.28.21.1. Board and Members’ Council Support;

5.28.21.2. Compliance; and

5.28.21.3. Legal.

5.28.22. We determined from a review of Bruwer’s report that a total of 23 new positions were proposed on the OD.

5.28.23. According to Bruwer’s report, as of May 2018, CSA’s recurring annual Total Guaranteed Package (TGP) costs for all positions including vacancies amounted to R43 577 159, excluding the variable cost of Short-Term Incentives. The addition of a net new 23 positions as proposed (taking the approved headcount up to 88 from 65) would add an indicative R15 036 614 of TGP costs per annum, which constitutes a material 34% increase.

- 5.28.24. The total indicative future TGP (excluding the variable cost of Short-Term Incentives) would amount to R58 613 772.
- 5.28.25. The minutes reflected that the Board deliberated on the proposed structure and positions and *inter alia* resolved to further consider the final report and raise any further queries with the CEO and Bruwer accordingly.

**CSA Board meeting of 28 July 2018**

- 5.28.26. On 28 July 2018, the Board held a meeting at Intercontinental Ortia Hotel in Johannesburg.
- 5.28.27. According to the minutes of the said Board meeting, the following individuals were in attendance:

**Directors:**

- Chris Nenzani (Chairman);
- Norman Arendse SC\* (LID);
- Thabang Moroe - (CE);
- Louis von Zeuner\* (LvZ) – skype connection;
- Beresford Williams (BW);
- Fa-eez Jaffar (FJ);
- Iqbal Khan\* (MIK);
- Rihan Richards (RR);
- Vusi Pikoli\* (VP); and
- Tando Ganda (TG).

**Attendees:**

- Naasei Appiah (Acting COO);
- Ziyanda Nkuta (Acting CFO); and
- Lindiwe Ndziba (Head of Compliance).

**Invitees:**

- Michael Owen-Smith (Media Consultant).

**Apologies:**



- Zola Thamae.

- 5.28.28. During the meeting of 28 July 2018, Moroe presented the CE's report to the Board following his appointment as the CE of CSA. We noted that one of the items presented by Moroe to the Board was the OD. According to Moroe, the Board was fully supportive of the design and structure and had resolved that management should proceed with the implementation of the OD with the support of RemCo. Moroe further stated that the implementation of the OD would be one of his key priorities to ensure that CSA is appropriately resourced.
- 5.28.29. We noted from the minutes of the Board meeting that Moroe advised the Board that he would engage with 21st Century to formulate a detailed roll-out plan for the implementation of the OD. The implementation plan would be tabled at RemCo for approval.

#### **CSA Board Meeting of 7 September 2018**

- 5.28.30. We determined from a review of documentation that during the Board meeting of 7 September 2018, Moroe presented a CE's report. One of the items contained in CEO's report was the OD update.
- 5.28.31. According to the CE's report, the implementation of the approved recommendations from the OD project had commenced. The CEO's report further indicated that the process started with a "match and place" process where skills of the existing staff were matched against the positions in the new structure.
- 5.28.32. According to the CE's report, the next step would be consultation with CSA employees on the implementation plan and process. The consultations with CSA staff would be followed by the filling of critical positions in order of priority in terms of a 3 phased approach.
- 5.28.33. We noted from the minutes of the meeting that the above approach as outlined in the CEO's report would be followed until CSA is financially comfortable and thereafter other phases would be rolled out.

#### **HR and Remuneration Committee meeting of 21 November 2018**

- 5.28.34. Based on documentation reviewed, we determined that the HR and Remuneration Committee held a meeting on 21 November 2018.
- 5.28.35. The following individuals were in attendance at the said meeting:

### **Members**

- Mrs Dawn Mokhobo (Chairperson) (DM) (dialed in);
- Mr. Tando Ganda (TG); and
- Prof Shirley Zinn (SZ).

### **Attendees**

- Thabang Moroe (TM) (CE);
- Ziyanda Nkuta (ZN) (Acting CFO);
- Musa Gubevu (MG) (Head of HR);
- Naasei Appiah (NA) (Acting COO);
- Lindiwe Ndziba (LN) (Head of Compliance and Secretarial); and
- Dalene Nolan (DN) (Scribe).

### **Apologies:**

- Dr Oupa Nkagisang (ON).

### **Paper on Organisational Design Implementation Update**

- 5.28.36. We determined that in preparation for the meeting, the committee members were *inter alia* provided with a Paper on Organisational Design Implementation Update.
- 5.28.37. The paper reflected that HR conducted a preliminary mapping and matching exercise based on the approved organogram as well as the OD Specialists recommendations. According to the Paper, CSA sought legal opinion following a detailed analysis on the impact of the OD conducted by HR.
- 5.28.38. HR proposed a structured three phased approach to rolling out the OD based on the legal opinion.
- 5.28.39. The implementation of the OD project would be done in a 3 phased approached as follows:
- 5.28.39.1. Executives;
  - 5.28.39.2. Manager; and
  - 5.28.39.3. General Staff.
- 5.28.40. The Paper reflected that the OD Specialist assisted HR with profiling the

Executives' roles before implementing phase 1. The proposed phased in approach was shared with EXCO and MANCO respectively. EXCO and MANCO were tasked to brief all staff on the proposed phase-in approach.

- 5.28.41. According to the Paper, one of the items discussed with EXCO was the advertisement of 3 executive positions, i.e. COO, CCO and Company Secretary. The Paper reflected that the COO role was in an acting capacity, CCO and Company Secretary were new titles that had both changed from the previous roles of Head of Commercial and Marketing and Head of Compliance and Company Secretarial.
- 5.28.42. The Paper further reflected that the incumbents for the position of Head of Commercial and Marketing and Head of Compliance and Company Secretarial were affected by the new structure. It is our understanding that the incumbents of the two positions were Clive Eksteen ("Eksteen") and Lindiwe Ndziba ("Ndziba") respectively.
- 5.28.43. The Paper reflected that the aim of the legal opinion was to inter alia provide guidance on how the two positions i.e. Head of Commercial and Marketing and Head of Compliance and Company Secretarial would be made redundant and consult with the affected employees before advertising the roles.
- 5.28.44. According to the Paper, both incumbents were encouraged to apply for the roles. The closing date for submission of applications for the three roles, i.e. COO, CCO and Company Secretary was 13 November 2018.

#### **Resolution of the Minutes of Remco**

- 5.28.45. According to the minutes of the Remco meeting of 21 November 2018, the contents of the Paper were noted.
- 5.28.46. We determined from a review of the minutes of Remco that Ndziba enquired from Gubevu whether the implementation of the OD was performed in consultation with REMCO and reported to the Board.
- 5.28.47. It was noted that Remco Chair was advised of the 3-phase plan to roll out the OD and further that Moroe reported to the Board on 7 September 2018.
- 5.28.48. We noted from the minutes that Moroe indicated that the OD process had been transparent and further that it was an operational process and requested that REMCO allow management to continue with the process of implementation. Moroe requested that REMCO exercise oversight function over the

implementation of OD as approved by the Board in May 2018.

- 5.28.49. The Committee concluded that it was satisfied that Ndziba's questions had been satisfactorily answered.
- 5.28.50. The committee further concluded that they were satisfied with the process that was followed in respect of the implementation of the OD.

**Email dated 4 December 2018 from Gubevu to Nenzani and Moroe**

- 5.28.51. On 4 December 2018 at 18:00, Gubevu wrote an email to Nenzani and copied Moroe. The subject matter of the email was "OD Phase 1 – recruitment update and approval of changes"
- 5.28.52. The purpose of the email was to confirm the interview panel for the recruitment of Company Secretary. According to Gubevu's email, the interview panel for the Company Secretary position would be led by Dawn Mokhobo and include the following board members:
  - 5.28.52.1. Tando Ganda;
  - 5.28.52.2. Shirley Zinn;
  - 5.28.52.3. Steve Cornelius; and
  - 5.28.52.4. Beresford Williams or Angelo Carolissen.
- 5.28.53. In his email, Gubevu further stated that the CCO and COO vacancies would be advertised on a wider platform as CVs submitted for the first advert which was only run on the CSA website, did not attract sufficiently skilled candidates to conclude the process. According to Gubevu's email, the advertisement would run for 2 weeks which would delay the deadline for phase 1 of the OD process.
- 5.28.54. We determined that on 4 December 2018 at 19:05, Gubevu wrote an email to Mokhobo and copied Moroe. The subject matter of the email was "*company secretary*"
- 5.28.55. Attached to the email was the shortlisted candidates for Mokhobo's review. We noted that Gubevu included the interview panel as reflected in his email to Nenzani. We further noted that Gubevu recommended that the interviews be completed by 21 December 2018.
- 5.28.56. Gubevu's email to Nenzani and Mokhobo is confirmation that the Chairman of the Board as well as the Chairperson of Remco were aware as early as December 2018 that the OD was being implemented.

## 5.29. APPOINTMENT OF CSA EXECUTIVES

- 5.29.1. We determined that following the Board approval for the implementation of the OD. Management implemented phase 1 of the OD project, i.e. appointment of Executives. Below we discuss the process followed by CSA in the appointment of Executives.

### **Recruitment process followed in the appointment of CCO**

- 5.29.2. We determined that CSA advertised the position of CCO on 5 November 2018. The closing date for submission of applications was 13 November 2018.
- 5.29.3. As indicated above, a decision was taken in consultation with the Board to re-advertise the position of CCO as CSA ostensibly failed to obtain suitable applicants. The closing date for the submission of applications for the CCO position was extended from 13 November 2018 to 17 December 2018.
- 5.29.4. According to the advertisement for the CCO position, the key responsibilities were as follows:
- 5.29.4.1. Strategically and proactively identifying and developing future markets and commercial opportunities;
  - 5.29.4.2. Develop in-depth marketing and sales strategies that are fully aligned with the CSA Vision, Mission, Values and Corporate strategy;
  - 5.29.4.3. Develops and maintains all commercial partnerships;
  - 5.29.4.4. Monitors commercial contract execution and maintains a contract renewal database with timeous prompts for renewal negotiations;
  - 5.29.4.5. Oversees the development and implementation of a sponsor relationship management strategy/plan;
  - 5.29.4.6. Explores and develops a potential future sponsor base whilst actively maintaining relationships with all existing sponsors;
  - 5.29.4.7. Ensures that CSA Corporate Events/Corporate Hospitality is of a world -class standard at all times;
  - 5.29.4.8. Oversees that comprehensive, up to date fit-for purpose communications strategies are developed and implemented, both at CSA level and event level;
  - 5.29.4.9. Ensures that the building of Digital Media/Social Media capacity as

- a brand building, distribution, marketing and revenue channel is on a constant upwards trajectory;
- 5.29.4.10. Manage operational and reputational risks across entire commercial and communications portfolio; and
- 5.29.4.11. Ad-hoc Board and Executive Project involvement as and when required.
- 5.29.5. The following job qualification, experience, knowledge and skills were reflected as essential for the CCO position:
- 5.29.5.1. A graduate or post graduate qualification in Business, Marketing or Communication;
- 5.29.5.2. At least 10 years working experience in a Commercial and /or Marketing role, with Communications exposure being an advantage or similar;
- 5.29.5.3. Sales and Marketing strategy development;
- 5.29.5.4. Identification, commercialization and monetization of diverse and new income streams;
- 5.29.5.5. Proficient writing and reporting skills;
- 5.29.5.6. Digital Media as a distribution channel at a high level;
- 5.29.5.7. Communication/Public Relations at a high level;
- 5.29.5.8. Financial Management;
- 5.29.5.9. Commercial Law and Contract Law; and
- 5.29.5.10. Computer literate and competent in Microsoft Office applications.

**Short listed candidates**

- 5.29.6. During our consultation with Gubevu, he indicated that upon receipt of applications from candidates, Moon would go through the applications and prepare a summary of candidates recommended for shortlisting. The said summary would be presented to either the Board or the CEO depending on the position being advertised.
- 5.29.7. We determined from documentation reviewed that CSA received 9 CVs for the position of CCO. On 9 January 2019, Moon wrote an email to Moroe and Gubevu. Moon indicated *inter alia* the following on her email, “The CCO list is

*more challenging, I think at this level we may consider headhunting, I would suggest we interview the candidates that we feel closely match the role and if none are at the required level, we close that phase (especially with Clive) and the headhunt”.*

5.29.8. We determined that the following applicants were shortlisted for the CCO position:

5.29.8.1. Tania Smith;

5.29.8.2. Kugandrie Moodley Govender; and

5.29.8.3. Clive Eksteen.

5.29.9. We noted from a review of their CV’s and qualifications attached to their applications that the three shortlisted candidates had the following credentials:

NAME & SURNAME	QUALIFICATIONS
Tania Smith	<ul style="list-style-type: none"> <li>• National Diploma: Public Relations</li> <li>• Various other training courses listed</li> </ul>
Kugandrie Moodley Govender	<ul style="list-style-type: none"> <li>• National Diploma: Public Relations</li> <li>• National Diploma: Marketing Management</li> <li>• Bachelor of Philosophy (Honours) in Marketing Management</li> </ul>
Clive Eksteen	<ul style="list-style-type: none"> <li>• Diploma in Accounting</li> <li>• BCom 2nd Year</li> </ul>

5.29.10. Based on documentation reviewed, we determined that the interview panel for the CCO position comprised the following individuals:

5.29.10.1. Moroe;

5.29.10.2. Gubevu;

5.29.10.3. Moon;

5.29.10.4. Mokhobo;

5.29.10.5. Ganda; and

5.29.10.6. Williams.

- 5.29.11. The interviews for the CCO position were held on 17 January 2019.
- 5.29.12. We were not provided with the scoring sheets completed by the respective panelists.
- 5.29.13. Moon indicated that the panelists deliberated on the performance of each candidate and would agree on the suitable candidate for the position. Moon further stated that she prepared a summary of inputs from the panel. We determined that on 5 February 2019, Moon sent a copy of the said summary to Moroe, Gubevu, Williams, Ganda, Xaba and Mokhobo.
- 5.29.14. We noted from the review of the summary that the panel recommended Govender for the position of CCO. The post interview comments indicated the following relating to Govender:

*“Kugandrie' s presentation was thorough and well thought through. Her experience and skills were demonstrated in her presentation and in her answers.*

*She gave very good examples (through templates) on her Commercial experience. She unpacked some of her practical experience through templates and further solidified this by taking us through some practical work examples.*

*She does have elements of experience in all areas of this role. She may need help navigating the political environment of sponsorships in Cricket and perhaps she has not acquired the value of sponsorships at the level of Cricket but she is certainly experienced and skilled across the spectrum and was not able to just display this throughout her interview but she was brilliant at identifying some of her areas for growth. She is recommended for this role”.*

#### **Personal Credential verification report**

- 5.29.15. We determined that CSA verified Govender’s qualifications with Managed Integrity Evaluation (“MIE”). MIE confirmed that the qualifications reflected in the table above were awarded to Govender.

#### **Appointment of Govender for the CCO Position**

- 5.29.16. CSA appointed Govender in a letter dated 26 February 2019, with effect from 1 April 2019.
- 5.29.17. Based on the review of Govender’s qualifications, we noted that she met the requirements of the CCO position.
- 5.29.18. Eksteen was offered a position of Head: Sales and Sponsorship Manager as he



was unsuccessful for the COO position.

### **Recruitment process followed in the appointment of COO**

- 5.29.19. We determined that CSA advertised the COO position in November 2018. The closing date for submission of applications was 13 November 2018.
- 5.29.20. The COO position was re-advertised after CSA ostensibly failed to get suitable candidates from the initial applications that were received. The closing date was 17 December 2018. It is our understanding that the position was advertised on the following platforms:
  - 5.29.20.1. CSA website;
  - 5.29.20.2. ALLSTAFF email
  - 5.29.20.3. CSA Affiliates; and
  - 5.29.20.4. PNET.
- 5.29.21. According to the advertisement, the key responsibilities for the COO positions were the following:
  - 5.29.21.1. Provides strategic direction and oversight to drive CSA's business plan towards sustainable growth;
  - 5.29.21.2. Articulates and oversees the translation of high-level business and operational strategies and growth plans;
  - 5.29.21.3. Performs ongoing environmental scanning against all relevant variables such as: Cricket participation trends; impact of existing and potential future formats on CSA's revenue generating capacity; ICC strategy and planning etc.;
  - 5.29.21.4. Ensures all CSA projects are run with proper project governance and receives and analyses project progress reports on all CSA projects;
  - 5.29.21.5. Sets cricket infrastructure development, funding and other goals for and in conjunction with the Government Relations Executive;
  - 5.29.21.6. Ensures the strategic sustainability of Live Events in conjunction with the Chief Commercial Officer (CCO);
  - 5.29.21.7. Ensures that the HR and ITC functions are properly resourced to be able to execute on their respective mandates;
  - 5.29.21.8. Ensures that proper IT Governance is maintained in CSA; and

- 5.29.21.9. Ad-hoc Board and Executive project involvement as and when required.
- 5.29.22. The following job qualifications, experience, knowledge and skills were reflected as the essential requirements for the CCO position:
  - 5.29.22.1. An appropriate postgraduate qualification in for example Management or any of the management disciplines such as Finance;
  - 5.29.22.2. At least 10 years working experience at an Executive level, preferably with exposure to all or most of the areas of responsibility that fall within the remit of the position (Government Relations; Sporting Infrastructure; Live Events; HR; IT; Cricket Development outside of SA);
  - 5.29.22.3. Cascading and communicating strategy to all levels;
  - 5.29.22.4. Breaking down organisational silos;
  - 5.29.22.5. Business planning and business performance monitoring;
  - 5.29.22.6. Development of policies and procedures;
  - 5.29.22.7. Driving organisational performance measures (Effectiveness and Efficiency); and
  - 5.29.22.8. Computer literate and competent in Microsoft Office applications.

**Short listed candidates**

- 5.29.23. We determined that CSA received 14 CVs for the COO position. On 9 January 2019, Moon wrote an email to Moroe and Gubevu and indicated *inter alia* the following on her email, “*The COO list has possible candidates to shortlist*”
- 5.29.24. Based on documentation reviewed, we determined that the following individuals were shortlisted for the position of COO:
  - 5.29.24.1. Naasei Appiah;
  - 5.29.24.2. Michael Canterbury; and
  - 5.29.24.3. Carlo Venter.
- 5.29.25. We determined that the three shortlisted candidates had the following credentials:

NAME & SURNAME	QUALIFICATIONS
Naasei Appiah	<ul style="list-style-type: none"> <li>• Bachelor of Accounting Science (B Compt)</li> <li>• Bachelor of Commerce (Hons), Certificate in the Theory of Accounting (CTA)</li> <li>• Chartered Accountant (South Africa) (“CA (SA)”)</li> </ul>
Michael Canterbury	<ul style="list-style-type: none"> <li>• BSc (Mechanical Engineering),</li> <li>• Bcom. (Honours),</li> <li>• Financial Analysis and Portfolio Management</li> </ul>
Carlo Wynand Venter	<ul style="list-style-type: none"> <li>• B. Compt</li> <li>• B. Compt (Hons.) &amp; CTA</li> <li>• CA (SA)</li> </ul>

- 5.29.26. The interviews for the COO position were held on 18 January 2019.
- 5.29.27. We determined that the panel comprised the following individuals:
- 5.29.27.1. Moroe;
  - 5.29.27.2. Gubevu;
  - 5.29.27.3. Moon;
  - 5.29.27.4. Ganda; and
  - 5.29.27.5. Mokhobo.
- 5.29.28. We were not provided with a copy of scoring sheets completed by the panelist. We however determined that Moon prepared a summary of inputs from the panel.
- 5.29.29. We noted from the review of the summary compiled by Moon that Appiah was recommended for the position of COO. The Post Interview comments indicated the following:

*“Naasei has acted a CEO in his early engagement at CS.*

*He currently serves as acting COO but has without a doubt played an overall business strategic role throughout his tenure.*

*His presentation was simple and to the point. His institutional knowledge and understanding of the business is evident and commendable. He definitely displays a passion for Cricket and the business.*

*Naasei needs his role and plans to be defined as he may take on too much which ultimately affects his work and overall wellbeing. He is definitely an excellent addition to the Executive team and will serve well in this role. He is recommended for this role”.*

### **Appointment of Appiah for the COO position**

- 5.29.30. CSA appointed Appiah for the COO position in a letter dated 20 February 2019 with effect from 1 March 2019.
- 5.29.31. Based on the review of Appiah’s qualifications and experience, we noted that he met the requirements of the COO position.

### **Recruitment process followed in the appointment of CoSec**

- 5.29.32. We determined that in 2018, CSA advertised for the Company Secretary Position. The closing date for submission of applications was 13 November 2018.
- 5.29.33. According to the advertisement, the key responsibilities for the Company Secretary position were as follows:
  - 5.29.33.1. Provides legal and company secretarial services to the CSA Board; Members’ Council (MC) and Executive Management;
  - 5.29.33.2. Provides expert and sound advice on legal, governance and corporate matters;
  - 5.29.33.3. Ensures company and director compliance with legal and regulatory frameworks;
  - 5.29.33.4. Oversees the secretarial functions as outlined in King Code of Good Corporate Governance, the Companies Act and CSA requirements;
  - 5.29.33.5. Ensures that CSA Board resolutions and directives are communicated and implemented;
  - 5.29.33.6. Acts as custodian of the CSA Code of Ethics and monitor compliance thereof;

- 5.29.33.7. Reviews and confirms all company contracts including tenders and service level agreements;
  - 5.29.33.8. Oversees the contract management process and the execution of agreements with third parties;
  - 5.29.33.9. Identifies and eliminates any risks that may expose CSA to loss, injury, claims, or legal liability and takes necessary steps to mitigate such risks;
  - 5.29.33.10. Champions good corporate governance and educates all cricket stakeholders in this regard; and
  - 5.29.33.11. Ad-hoc Board and Executive project involvement as and when required.
- 5.29.34. The following job qualifications, experience, knowledge and skills were reflected as essential:
- 5.29.34.1. A Degree in BCom (Law)/BA(Law)/LLB/Company Secretarial qualification/CIS/Equivalent qualification at a minimum of NQF7;
  - 5.29.34.2. At least 8 years' experience as a Company Secretary or similar;
  - 5.29.34.3. Knowledge and skills in corporate governance development;
  - 5.29.34.4. Knowledge and skills in Company's Act and King Code of Corporate Governance;
  - 5.29.34.5. Efficient minute taking;
  - 5.29.34.6. Proficient writing and reporting skills;
  - 5.29.34.7. Ability to manage the departmental budget, forecasting and financial management in line with the strategic objectives of the organisation; and
  - 5.29.34.8. Computer literate and competent in Microsoft Office application.

### **Shortlisted Candidates**

- 5.29.35. Based on documentation reviewed, we determined that CSA received 7 CVs for the position of CoSec.
- 5.29.36. We determined that the following candidates were shortlisted for the position of CoSec:

- 5.29.36.1. Hulisani Murovhi;
- 5.29.36.2. Lindiwe Ndziba;
- 5.29.36.3. Mulalo Ronald Razwinani; and
- 5.29.36.4. Welsh Gwaza.

5.29.37. The following comments were made on the shortlist schedule recommending Ndziba for interview:

*“Lindiwe is currently Head of Compliance and Company Secretarial at CSA. Her experience, skills and qualifications do not match the criteria but as she has served in that department it would be recommended to interview her and measure her against external candidates who have experience in this role”.*

5.29.38. The four shortlisted candidates had the following credentials:

NAME & SURNAME	QUALIFICATIONS
Hulisani Douglas Murovhi	<ul style="list-style-type: none"> <li>• Admitted Attorney - 2001 Course on the Negotiation, Vetting and drafting of Contracts</li> <li>• Certificate in Professional Business and Minute Taking Protocol</li> <li>• Master’s in Public and Development Management (P &amp; DM)</li> <li>• University of the Witwatersrand: School of Governance</li> <li>• ICSA (CIS) Programme in Strategic Management and Corporate Governance (UNISA)</li> <li>• Extracurricular Programme in Compliance Management</li> <li>• University of Johannesburg (formerly known as RAU)</li> <li>• Higher Diploma in Tax Law</li> </ul>

NAME & SURNAME	QUALIFICATIONS
	<ul style="list-style-type: none"> <li>• University of Johannesburg (formerly known as RAU)</li> <li>• Diploma in Corporate Law</li> <li>• University of Johannesburg (formerly known as RAU)</li> </ul>
Mulalo Razwinani	<ul style="list-style-type: none"> <li>• Executive Development Program</li> <li>• Certificate in Corporate Governance &amp; Strategic Management</li> <li>• Post. Grad. Diploma in International &amp; African Regional Law</li> <li>• B Iuris</li> <li>• LLB (Post Grad)</li> <li>• Admitted Attorney of the High Court of South Africa</li> </ul>
Lindiwe Nombeko Ndziba	<ul style="list-style-type: none"> <li>• Bachelor of Commerce - Accounting CA stream</li> <li>• Post Graduate Diploma in Accountancy (Honours)</li> <li>• Governance Beyond Boards</li> </ul>
Welsh Gwaza	<ul style="list-style-type: none"> <li>• Bachelor of Arts in Law and Humanities</li> <li>• Bachelor of Law</li> <li>• Masters of Law in Banking and Finance Law</li> <li>• Admitted Attorney 2007</li> </ul>

5.29.39. We determined from a review of documentation that the interview panel for the CoSec position comprised the following Board members:

5.29.39.1. Tando Ganda;

- 5.29.39.2. Shirley Zinn;
- 5.29.39.3. Steve Cornelius and
- 5.29.39.4. Angelo Carolissen.
- 5.29.40. The interviews for the position of CoSec were held on 21 January 2019.
- 5.29.41. We were not provided with scoring sheets compiled by the panelist. We however determined that Moon prepared a summary based on the comments and inputs of the panel.
- 5.29.42. We noted that the post interview comments relating to Ndziba were as follows:  
*“Lindiwe is currently Head of Compliance and Company Secretarial at CSA. Her presentation was different to the other candidates and focused more on the operational and governance aspects of the role and no so much the law elements. She is a qualified CA and after completing her articles, she has about 4 years working experience. Her law experience and skills are very limited. She demonstrates potential but is not yet at the level of Company Secretary. She is needs to be groomed under a seasoned Company Secretary. She is not recommended for this role”.*
- 5.29.43. We determined that the panel recommended Gwaza for the CoSec position. We noted that the post interview comments relating to Gwaza were as follows:  
*“Welsh is seasoned, experienced and extremely comfortable in his role. His presentation articulated his knowledge on this role. His answers were well thought through. His tenure and development in previous organisations spoke volumes about him. He describes his management style as "measured patience "which one could pick up in his mannerism throughout the interview, he would exercise his patience at all levels but you can see his firmness and that he will be respected. Welsh is an excellent candidate and could be an asset in this role for CSA. He is definitely recommended for this role”.*

#### **Personal Credential verification report**

- 5.29.44. Subsequent to the recommendation by the interview panel, CSA verified Gwaza’s qualifications with MIE. MIE confirmed that the qualifications reflected in the table above were awarded to Gwaza.

#### **Appointment of Gwaza for the CoSec Position**

- 5.29.45. CSA appointed Gwaza for the CoSec position in a letter dated 27 February 2019, with effect from 1 April 2019.
- 5.29.46. Based on the review of Gwaza’s qualifications and experience, we noted that he



met the requirements for the position of Company Secretary.

**Board meeting of 1 February 2019**

- 5.29.47. We determined that Moroe presented a CE’s report during a Board meeting of 1 February 2019.
- 5.29.48. One of the items presented by Moroe during the said meeting was an update on the interview conducted for the position of CCO, COO and Company Secretary.
- 5.29.49. According to the CE’s report, offers to the successful candidates would be finalized after completing the background checks. Positions that would become vacant due to incumbents filling positions in phase 1 would commence as soon as the successful candidates had accepted the offers.
- 5.29.50. It is our understanding that one of the said positions was that of CFO as Appiah was recommended for the COO position.
- 5.29.51. According to the CE’s report, the Succession Planning and Skills Audit outcomes would be addressed after the completion of the OD implementation.

**Email dated 19 March 2019 from Moroe to CSA Members’ Council, Board, CSA Staff and Affiliates**

- 5.29.52. We determined that on 19 March 2019, Moroe sent an email to the CSA Board, CSA Members’ Council, CSA Members Forum, and copied CSA Staff and Affiliate CEOs. The subject of the email was “*Organisational Design update*”.
- 5.29.53. The purpose of the email was to provide an update on the OD project as well as introduce new Executive roles.
- 5.29.54. According to Moroe’s email, the new roles were as follows:

Name	Role
Naasei Appiah	COO
Clive Eksteen	Head of Sales and Sponsor Relations Management
Kugandrie Govender	CCO
Welsh Gwaza	Company Secretary

5.29.55. In his email, Moroe indicated that CSA was almost at the end of phase 1 of the OD rollout and further that the next step would be for the Executive Team to rollout their respective areas.

5.29.56. On 20 March 2019 at 10:54, Khan wrote an email to Moroe responding to the latter's email of 19 March 2019. In his email to Moroe, Khan *inter alia* indicated the following:

*"Morning Thabang*

*Thanks for including me on this announcement. I do recall that at the last board meeting held in Cape Town (Which I chaired), we specifically agreed NOT to make any new appointments and/or start any new projects given that we are all working through project 654 and trying to bring that loss to nil at the end of this cycle. I do recall specifically asking sus Dawn to back me in the postponement of the OD, because frankly we cannot afford it at this stage. Sus Dawn was in agreement with me and so was the entire board. This does not mean that we cannot revisit OD recommendations when out (sic) finances stabilize.*

*..... I am concerned that you have gone ahead on two occasions now, to simply ignore the board's decision and implement as you see fit..... You will notice that I have not copied anyone else in this communication because I feel it is an issue that you and I first need to discuss and debate. I do however have to advise you that I will raise this with the chair and that I believe that we need a further discussion on this at the board"*

5.29.57. We determined that on the same day, *i.e.* 20 March 2019 at 13:39, Moroe sent an email to Khan and Nenzani. Moroe *inter alia* indicated the following in his email:

*"Good day Iqbal*

*Thank you for your email and for raising your concerns with me. I have to copy the president/chairman of the board in responding to you as I simply feel hard done by here and I may be reading too much into your email but I'm very uncomfortable.....*

*654 is not new to us and in fact if we are honest enough we should all know how we got here as CSA but it seems as if this is now something that I brought onto CSA. The OD was approved by the board with 654 in mind, even after indicating to the board what the increase in salaries would mean to our bottom line I was still given the go ahead. I'm surprised at this email and find it extremely unfair towards me as it simply paints a picture of insubordination and to some extent recklessness in my part. Is this how you*

*feel? .....I'm hoping we can meet and find a solution for CSA irrespective of how that solution might affect me"*

5.29.58. We determined that on 20 March 2019, Khan responded to Moroe's email and indicated the following:

*"Reading your response, clearly leaves me more uncomfortable than I was before I wrote to you. For information I have chatted to Chris in this regard and also forwarded him my mail.*

*The only thing that I agree with in your response is that we should meet."*

5.29.59. Based on the Board as well as Remco meetings discussed above, there is no indication that the Board or Remco objected to the implementation of the OD.

5.29.60. As discussed above, Nenzani and Mokhobo were aware as early as December 2018 that Management had implemented the OD.

5.29.61. Some of the Board members including Mokhobo, Ganda and Zinn were part of the panelist that interviewed candidates for the Executive Positions discussed above.

#### **Recruitment process followed in the appointment of CFO**

5.29.62. We determined that the CFO position was advertised in April 2019. The closing date for submission of applications was 10 April 2019.

5.29.63. The CFO position could only be advertised after the COO position was filled as the incumbent acting as the COO (Appiah) would have been required to revert to his CFO position if his application for the COO position was not successful.

5.29.64. As indicated above, Appiah applied for the COO position and was appointed in the said position on 1 March 2019.

5.29.65. According to the advertisement, the following were key responsibilities in respect of the CFO position:

5.29.65.1. Assist in the development and implementation of the overall CSA financial strategy, incorporating:

5.29.65.1.1. Corporate governance;

5.29.65.1.2. Projected returns;

5.29.65.1.3. Cash management;

5.29.65.1.4. Financial forecasts; and

- 5.29.65.1.5. Budgets.
- 5.29.65.2. Contribute towards the delivery of CSA's financial targets in respect of revenue as part of the executive team;
- 5.29.65.3. Provide sound financial and operational support to CSA departments and regional cricket entities;
- 5.29.65.4. Support Commercial negotiations and review financial components of commercial deals brokered by and for CSA;
- 5.29.65.5. Ensure that the following is undertaken in accordance within agreed standards and ready for presentation to relevant committees:
  - 5.29.65.5.1. Statutory Reporting including but not limited to all tax returns;
  - 5.29.65.5.2. Financial Statements and Regulatory Reporting; and
  - 5.29.65.5.3. New Regulatory and Accounting Developments.
- 5.29.65.6. Key liaison with external auditors and overseeing the external audit process;
- 5.29.65.7. Ensure that technical accounting and tax related matters are implemented where applicable to CSA;
- 5.29.65.8. Review management accounts and analysis and present to the Executive Committee for noting and planning purposes;
- 5.29.65.9. Report on financial health of CSA to the board at regular intervals;
- 5.29.65.10. Oversee the compilation of interim and Annual Report for distribution to the Board;
- 5.29.65.11. Responsible for the content of the financial information contained in the Annual Report and ensure that it complies with regulatory requirements;
- 5.29.65.12. Review Opex and Capex budgets and present consolidated view to the Board;
- 5.29.65.13. Manage CSA's budgets, cash flow and four-year trend view;
- 5.29.65.14. Manage treasury function (including all forex elements) to ensure maximum risk-free returns of funds under investments without compromising cash flow requirements;

- 5.29.65.15. Administration of all financial aspects of player agreements;
  - 5.29.65.16. Actively advising against any proposed expenditure (whether of a capital or operating nature) that may in any way jeopardize the financial sustainability of CSA whether over the short or the longer term;
  - 5.29.65.17. Establish and maintain appropriate financial risk management policies, risk appetite and risk limits for CSA with relevant stakeholder and risk reporting metrics;
  - 5.29.65.18. Ensure that fit-for -purpose Supply Chain policies and procedures are developed, maintained and applied;
  - 5.29.65.19. Ad-hoc Board and Executive project involvement as and when required.
- 5.29.66. The following job qualifications, experience, knowledge and skills were reflected as essential requirements for the CFO position:
- 5.29.66.1. At least a CA(SA) qualification;
  - 5.29.66.2. At least 10 years working experience in finance which must include articles and working at the executive level;
  - 5.29.66.3. Preparation of financial statements;
  - 5.29.66.4. Financial Management;
  - 5.29.66.5. Taxation;
  - 5.29.66.6. Supply Chain;
  - 5.29.66.7. Financial data analysis;
  - 5.29.66.8. Internal control systems; and
  - 5.29.66.9. Computer literate and competent in Microsoft Office applications.

#### **Shortlisted Candidates**

- 5.29.67. Based on documentation reviewed, we determined CSA received 7 applications for the position of CFO. We further determined that the following candidates were shortlisted for the CFO position:
- 5.29.67.1. Pholetsi Moseki;
  - 5.29.67.2. Barry Shawn Whitfield;

5.29.67.3. Ziyanda Nkuta; and

5.29.67.4. Bogadi Patricia Manzere.

5.29.68. We determined from a review of the application submitted for the CFO position that the four shortlisted candidates had the following credentials:

NAME & SURNAME	QUALIFICATIONS
Pholetsu Moseki	<ul style="list-style-type: none"> <li>• Chartered Accountant;</li> <li>• Bachelor of Accounting Sciences (Honours/CTA);</li> <li>• Bachelor of Accounting Sciences</li> </ul>
Barry Shawn Whitfield	<ul style="list-style-type: none"> <li>• CA (SA) - 2012</li> <li>• SAICA Member</li> <li>• B. Com Honours (Accounting) / CTA (2008)</li> <li>• B. Com (Accounting) (2007)</li> </ul>
Ziyanda Nkuta	<ul style="list-style-type: none"> <li>• C A (S A) - 2013</li> <li>• Bachelor of Commerce (Honours) Accounting</li> <li>• Bachelor of Accounting Science</li> </ul>
Bogadi Patricia Manzere	<ul style="list-style-type: none"> <li>• Doctor of Philosophy,</li> <li>• PhD (Development Finance) - 2017 - to date (currently studying) Master of Philosophy,</li> <li>• MPhil - 2017 Honours Bachelor of Commerce,</li> <li>• Hons BCom (Financial Management) - 2012 Bachelor of Commerce, BCom (Accounting &amp; Economics)</li> </ul>

- 5.29.69. Interviews for the CFO position were held on 25 April 2019.
- 5.29.70. The interview panel comprised the following individuals:
- 5.29.70.1. Moroe
  - 5.29.70.2. Mokhobo;
  - 5.29.70.3. Khan;
  - 5.29.70.4. Ganda;
  - 5.29.70.5. Appiah; and
  - 5.29.70.6. Moon.
- 5.29.71. We were not provided with scoring sheets compiled by the panelist. Moon provided us with the summary of inputs from the panel.
- 5.29.72. Nkuta was the Acting CFO at the time that she applied for the CFO position. Her substantive position was Finance Manager: Members.
- 5.29.73. We determined that Nkuta was not recommended for the CFO position. We noted that the post interview comments relating to Nkuta were as follows:
- “Ziyanda was presented very confident however the content of her presentation should her inexperience in a senior role. Although she is currently acting in the role, she did not demonstrate clear plans and a solid understanding of the role of a CFO in CSA She also did not do well with some of the more complex questions especially around people management. She did display a level of potential which was recognised by the panel but was not suitable or ready for this role. The panel felt that perhaps under the guidance of a seasoned CFO she would grow into the role in the future”.*
- 5.29.74. The panelists recommended Moseki for the CFO position. We noted that the post interview comments relating to Moseki were as follows:
- “Pholetsi' s presentation was very well rounded and displayed his level of experience very well. He answered all questions very thoughtfully and his maturity and calmness was displayed throughout the process. He has solid experience as a CFO. He indeed left the panel comfortable in his skills and experience. He was asked a deliberate difficult question by one of the interview panel members and his answer displayed his maturity and his confidence. He also demonstrates a good fit to the organisation and the team”.*

#### **Personal Credential verification report**

- 5.29.75. CSA verified Moseki’s qualifications with MIE. MIE confirmed that the

qualifications reflected in the table above were awarded to Moseki.

- 5.29.76. We determined that CSA appointed Moseki in a letter dated 29 April 2019, with effect from 1 July 2019.
- 5.29.77. Based on the review of Moseki's qualifications, we noted that he met the requirements for the CFO position.

#### **HR and Remuneration Committee meeting of 3 March 2020**

- 5.29.78. We determined that Remco held a meeting on 3 March 2020.
- 5.29.79. We further determined that Moon presented an HR Manager's report during the said meeting.
- 5.29.80. One of the items presented was an update on OD. The report inter alia reflected that Phase 2 implementation plan of critical and revenue generating roles had been executed. According to the report, all other recommended roles had been placed on hold.
- 5.29.81. We determined from consultations with Moon that the following roles were filled in relation to the approved OD:
- 5.29.81.1. CoSec – the role existed in a different format
  - 5.29.81.2. CFO – the role existed but the CFO was acting in COO role
  - 5.29.81.3. COO – new role
  - 5.29.81.4. CCO – new role
  - 5.29.81.5. Head of Sales and Sponsorship – new role
  - 5.29.81.6. Head Communications and Media – existed in a different format
  - 5.29.81.7. Head of Brand and Marketing - new role
  - 5.29.81.8. Supply Chain Manager – new role
  - 5.29.81.9. Procurement Officer – the previous role was a dual role and the need to split it was apparent
  - 5.29.81.10. Committee Assistant – new role
- 5.29.82. Moon indicated that there are new roles within the Legal Department that are not from the approved OD. The new roles were agreed with the COO/CFO and CoSec and include the following:



5.29.82.1. Additional Committee Assistant and

5.29.82.2. Legal Advisor.

5.29.83. We noted from a review of the minutes of the Remco Committee meeting of 3 March 2020 that the committee was provided feedback on inter alia the staff headcount as well as an update on the implementation of the OD.

5.29.84. Moon indicated that the only difference between the current CSA Structure and the OD Project recommendations was that of the legal department mentioned above. According to Moon, in implementing the OD, CSA stuck to head count but retitled some of the positions. Moon further stated that CSA did not fill all the recommended roles. The only roles that were filled were critical and/or revenue generating roles.

### 5.30. PERFORMANCE MANAGEMENT OF EXECUTIVES

#### REMCO minutes of 27 November 2014

5.30.1. We determined from a review of minutes of REMCO meeting held on 27 November 2014 that CSA developed the “*Keeping Score!*” Performance feedback system for its employees.

5.30.2. The purpose of the of the Keeping Score Performance feedback was to *inter alia*:

5.30.2.1. Provide feedback on performance, identifying and acting on development needs and giving feedback on living the CSA value; and

5.30.2.2. Helping to inculcate and maintain a culture of accountability within CSA.

5.30.3. According to the minutes of the REMCO meeting of 27 November 2014, it is the responsibility of the CFO to:

5.30.3.1. Review the Keeping Score! Performance feedback system for its continued relevance and efficiency;

5.30.3.2. Act as one member of the internal moderation committee (along with the CE) that oversees the submission of Short-Term Incentive linkages with individual performance scores to the REMCO;

5.30.3.3. In conjunction with other EXCO members, identify review and take corrective action for all deviation s from guidelines.

5.30.4. The Keeping Score! performance feedback systems inter alia required that all

employees at all levels to have Execution Agreement that set out their required output for the performance feedback cycle which would follow the CSA's financial year (1 May to 30 April).

- 5.30.5. Execution Agreements would have an operational focus, listing and communicating the key operational accountabilities/output expected of the incumbent.
- 5.30.6. The performance feedback system would operate over three phases namely Contracting, First review and Final Review.
- 5.30.7. According to the performance feedback system, the CFO and the CE shall form a two-person committee to moderate the correct application of the CSA Short Term Incentive (STI) policy before the STI recommendations got to RemCo for approval. Where the CFO and CE's own possible STI payments are concerned, the RemCo shall fulfill such moderating function.
- 5.30.8. At the beginning of the performance feedback cycle (start of the financial year on 1 May annually), the incumbent employee and their direct line manager must meet to discuss and finalise the detailed content of the Execution Agreement as proposed by the direct line manager.
- 5.30.9. At the mid-year review (late October/early November) the incumbent manager and their immediate line manager would meet to discuss and agree performance scores of the incumbent manager.
- 5.30.10. At the end of financial year (early May and the immediate precursor to the setting of the Performance Scorecard and Execution Agreement for the new financial year) the same process as the mid-year review takes place, leading to the allocation of a final performance score for the incumbent manager for the financial year just completed.
- 5.30.11. The end of year performance score is signed off by the next higher-level manager before being submitted as one input into the application of the STI.

**Performance Management Assessment for 2019/2020 performance cycle**

- 5.30.12. It is our understanding that Performance Management Assessments are a key component to ensure that management performance is monitored, measured and reported.
- 5.30.13. As indicated above according to the Keeping Score Performance feedback system, mid-year assessments are conducted late October/early November.

- 5.30.14. It is alleged that Performance Management Assessments due on 30 November 2019 were not submitted.
- 5.30.15. It is further alleged that Moroe's suspension was used as an excuse for not completing Performance Management Assessments even though he was only suspended on 5 December 2019.
- 5.30.16. Moroe, as the CEO of CSA is responsible for ensuring effective management of CSA operations. Moroe is therefore responsible for inter alia Management Performance Assessments.
- 5.30.17. As indicated above, Govender, Gwaza and Moseki were appointed at the beginning of the 2019/2020 financial year.
- 5.30.18. During our consultation with Moseki, he indicated that the mid-year assessment that was scheduled to take place in November 2019 was postponed by Moroe to December 2019. According to Moseki the said assessment did not take place due to Moroe's suspension in December 2019.
- 5.30.19. Moseki indicated that he sat with Faul for the final performance review. Moseki further indicated that the said final performance review was conducted prior to the end of the 2019/2020 financial year.
- 5.30.20. Moseki provided us with an unsigned performance review scorecard completed in April 2020.
- 5.30.21. Moseki indicated that in completing the performance review scorecard, he used the key responsibilities outlined in his letter of appointment as well as other initiatives he introduced to CSA (such as setting up a structured SCM unit) as the basis for the rating as he did not complete the Execution Agreement in November 2019. We noted that the review was conducted by Faul as the "Line Manager" to Moseki.
- 5.30.22. Based on the review of Moseki's performance review scorecard, we noted that he was awarded an average score of 3 (performance meets all expectation) out of a possible score of 5.
- 5.30.23. During our consultation with Moon, she confirmed that Faul had conducted final performance reviews with all the Executives including, Moseki, Govender and Gwaza. It should be noted that Appiah did not conduct the performance reviews as he was suspended in October 2019 following allegations of misconduct against him. Appiah was found guilty of misconduct following a

disciplinary hearing. It is our understanding that Appiah appealed the outcome of the disciplinary hearing. It is further our understanding that as at date of this report the appeal is still pending.

5.30.24. Moon provided us with email communication relating to Gwaza's performance review.

5.30.25. We determined that on 21 April 2020 at 00:32, Gwaza sent an email to Faul and Nenzani with subject matter Re: Performance Scorecard. Attached to Gwaza's email was a performance scorecard for Nenzani and Faul's review. Gwaza indicated in the email that the document (performance scorecard) was not updating the scores accurately.

5.30.26. On 21 April 2020 at 12:36, Faul responded to Gwaza's email and indicated inter alia the following:

*"Hi Welsh*

*I my assessment of your performance the previous 5 months I assess you as follow:*

*You have exceeded (4) the requirements for me on all the criteria except Governance (3) where you met the criteria. I mark you lower in this category due to the outstanding matters. However, I do not think you should not be held accountable alone for this and I have taken in to account special circumstances. You are a strong EXCO member and operate on a high level. You have strong intellectual capacity and act assertive. You have performed well under pressure and guided the organisation effectively during difficult times. You will grow during this very testing time to better understand the complexity of stakeholder relationships and the bigger context of the unique Sporting environment. I would appreciate a formal appraisal interview with you at a later stage but I know that you are pressed for time to get the score in".*

5.30.27. We determined that on 22 April 2020, Nenzani sent an email to Gwaza indicated inter alia the following:

*"As Board Chairperson, I am more than happy with your performance during very challenging times"*

5.30.28. We determined from a review of emails that on 8 July 2020, Moon requested that all Exco provide signed appraisals. On the same day, i.e. 8 July 2020, Govender responded to Moon's email and indicated that she could not provide the requested signed appraisal as she had not had an appraisal.

5.30.29. According to Moon, proposals for 2020/2021 salary increases and Short-Term

Incentives (“STI”) were presented to Remco for consideration however the said proposals had not been approved.

- 5.30.30. Moon indicated that the committee requested Moseki to advise on the financial position of CSA before a recommendation is made on the proposal.
- 5.30.31. Moon indicated that remuneration for 2020/2021 would remain at the rate approved in 2019/2020 until Remco approves the proposal for the current financial year (2020/2021).

### **CONCLUSIONS RELATING TO THE IMPLEMENTATION OF THE OD**

Based on the review of documentation and consultations with CSA officials and third parties, we conclude as follows:

- 5.30.32. CSA Board approved implementation of the organisational design during the meeting of 28 July 2018 with the support of Remco;
- 5.30.33. There is no evidence of a moratorium on implementation of the OD in the minutes of the Board and Remco meetings reviewed;
- 5.30.34. Management was mandated by the Board to implement the OD;
- 5.30.35. Management sought legal opinion prior to the implementation of the OD, due to specific roles in the current organisational design becoming redundant;
- 5.30.36. The Chairman of the Board (Nenzani) as well as the Chairperson of Remco (Mokhobo) were aware as early as December 2018 that the OD was being implemented;
- 5.30.37. Moroe provided update and feedback to the Board and HR & Remuneration Committee on the implementation of the OD;
- 5.30.38. Interviews for the CCO, COO and CoSec positions were conducted during January 2019. Interviews for the CFO position was conducted on April 2019;
- 5.30.39. The interview panel for the Executive position comprised inter alia the CEO, certain members of the Board as well as officials from the HR department;
- 5.30.40. We were not provided with the scoring sheets completed by panelists in respect of the interviews for the Executive Positions;
- 5.30.41. The interview panelists deliberated on the performance of each candidate and agreed on the most suitable candidate for the Executive Positions;
- 5.30.42. The executive positions i.e. CCO, COO, CoSec and CFO were filled by people

- who met the requirements and had the required qualifications;
- 5.30.43. The appointments of Executives were made in accordance with CSA recruitment policy and approved practices;
- 5.30.44. Moroe is inter alia accountable to ensure effective management of CSA operations. In so doing, he is also responsible for Performance Assessment and in particular Executives Performance Assessment;
- 5.30.45. Moroe failed to conduct the performance management with the Executives by mid-November 2019 as provided for in paragraph 12 of the Keeping Score (Performance Management Policy);
- 5.30.46. Final performance assessments for the 2019/2020 financial year were conducted by Faul (acting CE) with the Executives;
- 5.30.47. As at date of this report, proposals presented to HR & Remuneration Committee in respect of Salary increases and STI for the 2020/2021 financial year had not been approved;
- 5.30.48. Only phase 1 (Executive appointments) as well as critical and revenue generating roles were filled as per the approved OD;
- 5.30.49. We were not able to verify whether there were benefits achieved in terms of the organisational design as not all phases have been implemented;
- 5.30.50. We were further not able to compare how the current CSA OD look like versus the OD Project recommendation as not all positions (as per the approved OD) have been filled.
- 5.31. **APPOINTMENT OF CHANTEL MOON AS HEAD OF HR**
- 5.31.1. As indicated above, the HR Manager position is one of the positions approved on the OD. According to the OD Specialist's report, the HR Manager would report to the COO.
- 5.31.2. We determined that prior to the approval of the OD structure in 2018, the position of HR Manager was held by Gubevu.
- 5.31.3. According to Gubevu, subsequent to Matjie's resignation, the position of HR Manager was advertised however there were no suitable candidates identified to fill the said position. We were provided with the job specifications and

requirements for the HR Manager Position at the time<sup>84</sup>. We noted that the minimum requirements were *inter alia*

- 5.31.3.1. At least 3-year degree in Human Resources Management with Industrial Psychology major (Post graduate degree will be advantageous) and
- 5.31.3.2. A minimum of 5 years' experience in a Human Resources Management capacity
- 5.31.4. Gubevu indicated that he was appointed as HR Manager following the resignation of Kgaogelo Matjie ("Matjie") on 31 May 2014. Gubevu further indicated that prior to his appointment as the HR Manager, he held the position of Finance and Payroll Administrator from 2005.
- 5.31.5. We noted from the minutes of HR & Remuneration meeting held on 27 November 2014 that it was noted under item 3.4 that there was no appointment for the HR Manager Position<sup>85</sup>. The HR & Remuneration minutes further indicated that the Role would be filled by the Payroll Accountant, CFO and all Line Managers (EXCO). Gubevu indicated that prior to the approval of the new OD structure, the HR Manager reported to the CFO ("Appiah").
- 5.31.6. According to Gubevu, Appiah referred him to Moon for assistance with HR related work as he, Gubevu, did not have HR experience at the time.
- 5.31.7. Gubevu further stated that Appiah informed him that he met Moon when she was doing work at the Mandela Foundation.
- 5.31.8. During our consultation with Moon, she confirmed that she met Appiah in 2014 when she was doing HR related work for the Mandela Foundation. Moon indicated that Appiah informed her that CSA would be keen to utilize her services to assist with recruitments.
- 5.31.9. According to Moon, towards the latter part of 2014, she received a call from Gubevu requested her to assist CSA with recruitment for three positions.
- 5.31.10. Moon indicated that subsequent to Gubevu's request, she continued to assist CSA with recruitment and adhoc HR related work from the period 2014 to 2017.
- 5.31.11. We determined that from 2018, Moon was requested to assist CSA on a HR

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<sup>84</sup> Refer Exhibit 84

<sup>85</sup> Refer Exhibit 85

Generalist bases. The details of the said appointment are discussed below.

### **Proposal from People Link to CSA**

- 5.31.12. During our consultation with Moon, she indicated that in 2017, Gubevu requested her to assist him in HR on a more Generalist bases.
- 5.31.13. Gubevu confirmed that he requested Moon to assist him as HR did not have capacity to *inter alia* implement the OD project that CSA was planning to embark on.
- 5.31.14. Based on documentation reviewed, we determined that on 12 December 2017, Moon sent an email to Gubevu and copied Faith Xaba<sup>86</sup>. Attached to the email was a proposal from People Link (a company owned by Moon) in respect of HR generalist services to CSA.
- 5.31.15. According to the proposal, the scope of work included *inter alia* assisting the HR Manager and HR/Payroll team with implementation of overall HR Strategy and plan, including proposing, enhancing and implementing systems, processes and policies in line with statutory requirements.
- 5.31.16. The proposed time to provide the services reflected above was 2 days a week or 8 days a month at R3 500.00 per day which would equate to R28 000.00 per month.
- 5.31.17. Moon indicated that she was further requested to help with the MSL which resulted in the days she was required to be at CSA being increased to 4 days a week. Moon further indicated that she was also requested to assist with the Organisation Design as Gubevu did not know what to do. According to Moon, she was meant to assist Gubevu with the latter leading the project however she ended up doing everything for Gubevu.
- 5.31.18. We were not provided with the approved agreement in respect of the proposal from People Link.
- 5.31.19. During our consultation with Moon, she indicated that prior to the agreement signed by Faul in January 2020, there was no contract in place as she assisted CSA on an ad hoc basis.

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<sup>86</sup> Refer Exhibit 86



### **Transfer of Gubevu from HR to Transformation Department**

- 5.31.20. During our consultation with Gubevu, he indicated that during August 2019, he was informed by Appiah that a decision was taken by Moroe that he, Gubevu would be transferred from the HR to the Transformation Department.
- 5.31.21. Gubevu indicated that he was not consulted by Appiah or Moroe prior to the decision to transfer him to the Transformation department was made.

### **Letter of transfer issued to Gubevu and dated 5 November 2019**

- 5.31.22. Gubevu provided us with a letter dated 5 November 2019 confirming his transfer from HR to the Transformation department<sup>87</sup>. We noted that the letter was signed by Moroe.
- 5.31.23. Gubevu indicated that the letter was presented to him by Moon. We noted that Gubevu acknowledged receipt of the letter and confirmed that the contents thereof were explained to him by Moon.
- 5.31.24. According to the letter, the effective date of transfer was 1 November 2019. Other terms and conditions of Gubevu's employment including remuneration would remain the same. Gubevu's duties and responsibilities would be determined by the Transformation Executive and the HR department.
- 5.31.25. Gubevu was required to *inter alia*:
- 5.31.25.1. Submit a completed hand over report to Moon by no later than close of business Thursday 7 November 2019; and
- 5.31.25.2. Hand over his HR laptop to Moon by no later than close of business Thursday 7 November 2019.
- 5.31.26. Gubevu indicated the manner in which his transfer to the Transformation Department was communicated to him and handled was not fair. Gubevu further indicated that he felt embarrassed by the manner in which the news was communicated to the CSA staff and the fact that there was no clear plan set out for him in terms of the role he would play within the Transformation Department prior to the said transfer. Gubevu further stated that he does not know what his job title is.

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<sup>87</sup> Refer Exhibit 86

### **Alleged non-performance by Gubevu**

- 5.31.27. As indicated above, the HR Manager position was one of the approved positions on the OD.
- 5.31.28. During our consultation with Moon, she indicated that Moroe had on several occasions advised Appiah that he was not happy with Gubevu's performance as the HR Manager.
- 5.31.29. Moon further stated that Moroe requested Appiah to address Gubevu's non-performance with the latter. According to Moon, Gubevu had indicated that he would be interested in being transferred to the Transformation Department, however the latter had not confirmed the decision to transfer with Appiah or Moroe.
- 5.31.30. Moon further stated that Gubevu was even afforded an option to look at other available positions from the approved OD structure that would be suitable to him before the said positions were advertised. According to Moon, Gubevu failed to take the options that were made available to him.
- 5.31.31. Moon indicated that Gubevu continued to under-perform in his position as HR Manager and the said under-performance was brought to his attention by Moroe. Moon further stated that Moroe took a decision to transfer Gubevu to the Transformation Department and amend the reporting lines for the HR Manager to CEO as Appiah failed to address Gubevu's non-performance.
- 5.31.32. Gubevu indicated that Moroe and Appiah did not raise issues of non-performance with him. Gubevu indicated that he was provided with an option to either take a position of Payroll Accountant (which was the position he held in 2005), transfer to Transformation Department or resign from CSA. Gubevu indicated that there were no prospects of growth if he took the Payroll Accountant position. He further stated that he therefore had no option but to accept the transfer to the Transformation Department. Gubevu provided us with his performance review scorecard for the period 2016 to 2019. The said performance review score cards are discussed in detail below.

### **Gubevu's Performance review score cards**

- 5.31.33. As indicated above, Gubevu provided us with his performance review score

cards for the period April 2016 to April 2019<sup>88</sup>. We noted from the review of the said scored cards that the review was conducted by Appiah.

5.31.34. The total average score for the period April 2016 to April 2019 was 3 out of a possible total score of 5.

5.31.35. We noted that the overall result reflected on the performance review score cards for the period 2016 to 2019 was “*performance meets all expectations*”.

5.31.36. The performance review score card provided a “*comments*” block for Appiah to complete his comments relating to Gubevu’s performance. We however noted that Appiah did not complete the comments block for the 2016 to 2018 review. We further noted that Appiah wrote the following comments for the 2019 review:

*“Ensure that there is process and role clarity;*

*Ensure accountability in the entire organisations;*

*Improve on the performance management process (quarterly feedback is essential to address problem areas);*

*Ensure that staff issues are addressed timeously;*

*Clear and timeously communication – flow of information is critical”*

5.31.37. As indicated above, Gubevu indicated that he was not consulted by Appiah and Moroe prior to the decision to transfer him to the Transformation Department was taken. Gubevu further stated that Appiah did not raise any performance issues with him that may have resulted in the decision to transfer him from HR to the Transformation Department.

5.31.38. We noted from the review of the performance review score cards that there was no specific reference to non-performance by Gubevu.

#### **Notice to staff – 12 November 2019**

5.31.39. On 12 November 2019 at 19:21, Moroe wrote an email to CSA staff members and copied the CSA Board<sup>89</sup>. Attached to the email was a notice to CSA staff. The notice inter alia notified the CSA staff members and Board of structure changes within CSA. According to the notice, the changes would take effect

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<sup>88</sup> Refer Exhibit 88

<sup>89</sup> Refer Exhibit 89

immediately as follows:

5.31.39.1. *“HR – Reporting directly into the CEO;*

5.31.39.2. *HR Manager – Chantel Moon;*

5.31.39.3. *Payroll – Faith Xaba;*

5.31.39.4. *Day to Day Operations – Chantel Moon Reporting into CEO with Welsh Gwaza authorizing all approvals”.*

5.31.40. Based on a review of email communication, we determined that on 14 November 2019, Zinn sent an email to Moroe enquiring about the notice<sup>90</sup>. Zinn’s email *inter alia* raised the following questions:

*“Hi Thabang*

*Thanks very much.*

*Had a few questions on this notice which I am certain you will cover in your full report.*

*.....*

*The HR structure: good idea that HR reports to CEO. Is this an interim move and/or in line with our approved organizational redesign?*

*Is CHANTEL permanent staff or a consultant? Also, where is Musa located in the new arrangements?*

*Kind regards and thanks*

*Shirley”*

5.31.41. During our consultation with Zinn, she indicated that the Board and/or Remco was not consulted about the decision to appoint Moon as an HR Manager and or the transfer of Gubevu to another department.

5.31.42. Zinn further indicated that Moroe did not respond to the questions contained in her email of 14 November 2019.

5.31.43. As indicated above, according to the approved organisational design, the HR Manager reported to the COO. There is however no evidence that the Board approved that the HR Manager would report to the CEO as indicated in Moroe’s notice of 12 November 2019.

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<sup>90</sup> Refer Exhibit 90

### **Service Level Agreement between CSA and People Link**

- 5.31.44. We determined that in January 2020 CSA entered into an SLA with People Link. We noted that the effective date of the SLA was 1 August 2019<sup>91</sup>. The termination date of the SLA is reflected as 28 February 2021.
- 5.31.45. According to clause 8.1 of the SLA, the scope of work was outlined in Annexure A to the SLA. In terms of Annexure A to the SLA, People Link was required to:
- 5.31.45.1. Develop organisation plans and/or strategies for a variety of HR and or/ Facility related matters such as compensation, benefits, staff wellbeing, health and safety etc.;
  - 5.31.45.2. Develop and implement an onboarding and inboarding system and/or process for the Company;
  - 5.31.45.3. Assist with the developing of an organisational effectiveness plan and/or process;
  - 5.31.45.4. Act to support the human factor in the company by devising strategies for performance evaluation, staffing, training and development, talent management etc.;
  - 5.31.45.5. Oversee all HR initiatives, systems and tactics;
  - 5.31.45.6. Supervise the work of HR personnel and provide guidance;
  - 5.31.45.7. Serve as the point of contact for employment relations and communicate with necessary labour related bodies where applicable;
  - 5.31.45.8. Monitor adherence to internal policies and legal standards;
  - 5.31.45.9. Deal with grievances and violations invoking disciplinary action when required;
  - 5.31.45.10. Anticipate and resolve HR related litigation risks where required;
  - 5.31.45.11. Report to the Executive or his/her nominee by analysing data and using HR metrics;
  - 5.31.45.12. Management of all HR and Facilities related budgets and adherence thereof;
  - 5.31.45.13. Act on behalf and in the best interest of the Company on all HR and

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<sup>91</sup> Refer Exhibit 91

Facility related matters;

- 5.31.45.14. Oversee all Payroll and payroll related functions including adherence to audit related requirements;
- 5.31.45.15. In addition, oversee and management of the Facilities Management function and personnel
- 5.31.46. According to Annexure B of the SLA, People Link would be paid R7 500.00 for an 8-hour day for the duration of the agreement.
- 5.31.47. We noted from a review of the SLA that People Link increased their daily rate from R3 500 (proposed in December 2017) to R7 500, resulting in a daily rate increase of R4 000.
- 5.31.48. We noted that the SLA was signed by Faul on 21 January 2020 on behalf of CSA. We further noted that Moon signed the SLA on 24 January 2020 on behalf of People Link.
- 5.31.49. Faul indicated that he signed the contract entered into between CSA and People Link after consultation with Gwaza who confirmed the correctness of the contract/appointment and that Moon was already providing services.
- 5.31.50. During our consultation with Moon, she indicated that she was appointed as the Head of HR following a decision by Moroe to transfer Gubevu to the Transformation Department due to non-performance as the HR Manager.
- 5.31.51. Based on our consultations with Moon, it is evident that Moroe identified Gubevu's non-performance as the HR Manager as early as August 2019. There is however no evidence that there was a plan to appoint a suitable candidate on a permanent basis.
- 5.31.52. Moon indicated that the daily rate of R3 500 was based on the services she was rendering to CSA as an HR Generalist. Moon further stated that the increased daily rate of R7 500 was based on the new appointment as Head of HR reporting to the CEO as well as the oversight role she played on Operations following Appiah's suspension.

**Background searches conducted on People Link**

- 5.31.53. Based on background searches conducted, we determined that People Link was registered with CIPC as a private company on 17 October 2012. People Link's registration number is reflected as 2012/187446/07. According to the

background searches conducted, Chantel Moon is reflected as the only director of People Link.

5.31.54. Moon provided us with a copy of People Link's company profile<sup>92</sup>. We noted from the review of the company profile that Moon has 17 years HR generalist experience. According to the company profile Moon's Tertiary and Other Qualifications were listed as follows:

5.31.54.1. Assessor (expired);

5.31.54.2. Moderator (expired);

5.31.54.3. Master Facilitator;

5.31.54.4. NQF Level 7 (Education, Training and Development); and

5.31.54.5. NQF Level 6 (Human Resource Management).

5.31.55. As indicated above, we determined that the minimum requirements for the HR Manager position was at least a 3-year degree in Human Resources Management with Industrial Psychology major (Post graduate degree will be advantageous).

5.31.56. Based on People Link profile, we noted that Moon does not possess the minimum qualification requirements in respect of the HR Manager or Head of HR position.

### **Payments to People Link**

5.31.57. We were provided with CSA Accounts Payable for the period 2016 to 2020. Based on the review of the Accounts Payable, we determined that CSA made payments totalling R2 952 551.50 to People Link for the period July 2016 to April 2020<sup>93</sup>. The said payments were in respect of *inter alia* HR Generalist work conducted by People Link on behalf of CSA.

5.31.58. As indicated above, on 20 January 2020 CSA concluded an SLA with People Link with effective date of 1 August 2019 at a daily rate of R7 500.00.

5.31.59. We noted that during January 2020, People Link issued invoices totalling R490 000.00 as "backpay". The amount of R490 000.00 is included in the total fees of R2 952 551.50. The said invoices were in respect of a Monthly HR

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<sup>92</sup> Refer Exhibit 92

<sup>93</sup> Refer Exhibit 93

Retainer for the period August 2019 to December 2019 based on the new rate of R7 500. The table below relates to the said invoices:

<b>Date</b>	<b>Inv. Number</b>	<b>Description</b>	<b>Amount</b>
27-Jan-20	SAJ/2020/0085	Monthly HR Retainer - August 2019 new rate	R64 000,00
27-Jan-20	SAJ/2020/0088	Monthly fees including oversight of operations, December 2019 new rate (back pay)	R122 000,00
27-Jan-20	SAJ/2020/0087	Monthly fees including oversight of operations, November 2019 new rate (backpay)	R144 000,00
27-Jan-20	SAJ/2020/0086	Monthly HR Retainer, October 2019 new rate (backpay)	R96 000,00
27-Jan-20	SAJ/2020/0084	Monthly HR Retainer, September 2019 new rate (backpay)	R64 000,00
<b>Total</b>			<b>R490 000,00</b>

5.31.60. During our consultation with Janse Van Rensburg, she indicated that prior to the conclusion of the SLA with People Link, invoices from the latter were processed on the strength of a proposal dated 12 December 2017. Janse Van Rensburg indicated that according to Fraxion (CSA Financial System) the invoices were approved by Gubevu. We noted that the proposal was not signed.

### **Procurement of Services**

5.31.61. In terms of clause 3.4.1(e) of the Procurement Policy and Procedures, all estimated expense from above R1 million should be considered for tender.

5.31.62. As discussed above, Moroe appointed Moon as Head of HR following his decision to transfer Gubevu to the Transformation Department. Although the agreement between CSA and People Link was only concluded in January 2020,



- the latter was appointed in principle with effect from 1 August 2019 by Moroe.
- 5.31.63. Based on the approved daily rate of R7 500 effective from 1 August 2019 to 28 February 2021, total fees payable to People Link for the subsistence of the agreement would be above R1 million.
- 5.31.64. According to paragraph 3.4.2 of the Procurement Policy and Procedures, a deviation from the tender process requires the approval of the CFO/CEO and the Chairman of the FinCom. Deviation is only to be used if justified and the necessary approval has been obtained prior to any costs being incurred within the provisions of the DOA.
- 5.31.65. We determined that People Link was paid a total to R1 699 335.00 for the period August 2019 to April 2020.
- 5.31.66. There is no evidence that Moroe obtained approval from the Chairman of the FinCom before the appointment of Moon as the Head of HR.

#### **CONCLUSIONS RELATING TO THE APPOINTMENT OF MOON AS HEAD OF HR**

Based on the review of documentation and consultation with CSA officials and third parties, we conclude as follows:

- 5.31.67. Moroe transferred Gubevu from HR to the Transformation Department;
- 5.31.68. The transfer of Gubevu from HR to the Transformation Department created a vacancy in the HR Department;
- 5.31.69. There is no evidence of non-performance by Gubevu that may have warranted his transfer from HR to Transformation Department;
- 5.31.70. Moroe appointed Moon as Head of HR without following procurement processes in contravention of paragraph 3.4.2 of the procurement policy and procedures;
- 5.31.71. Moroe changed the reporting lines of HR Manager that were approved by the Board in terms of the OD from the COO to the CEO;
- 5.31.72. The changed reporting lines resulted in the HR Manager reporting to the CEO instead of the COO;
- 5.31.73. Moroe decided to fill the position of HR Manager with a consultant other than a permanent employee as required by the approved OD;
- 5.31.74. Moroe caused CSA to pay People Link R1 699 335 for the period August 2019

to April 2020 without following procurement processes;

- 5.31.75. This is a second instance where Moroe filled a position with a consultant without following procurement processes (refer paragraph 5.11 above);
- 5.31.76. Moon does not possess the minimum qualification requirements for the HR Manager or Head of HR position;
- 5.31.77. The transfer of Gubevu to the Transformation Department appears to be procedurally unfair;
- 5.31.78. The transfer posed a possible unfair labour practice risk against CSA in that Gubevu could have taken the organisation to CCMA for unfair labour practice;
- 5.31.79. Moon was paid a total of R1 253 216.50 for the period 2017 to 2018 for adhoc HR related work without a signed contract.

#### **RECOMMENDATIONS RELATING TO THE APPOINTMENT OF MOON AS HEAD OF HR**

Based on the findings discussed above, we recommend that CSA considers the following:

- 5.31.80. Advertise and fill the position of HR Manager/Head of HR as per the approved OD structure;
- 5.31.81. Institute disciplinary action against Moroe for:
  - 5.31.81.1. contravening paragraph 3.4.2 of the SCM policy in the appointment of Moon;
  - 5.31.81.2. failure to act in the best interest of CSA in contravention of section 76(3)(b) on the Companies Act in that he caused CSA to pay People Link R1 699 335 for the period August 2019 to April 2020 without following procurement processes; and
  - 5.31.81.3. contravening Section 76(3)(c) of the Companies Act in that he failed to act with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same function in relation to CSA in that he appointed People without following procurement processes.

#### **5.32. REVIEW OF POLICIES**

- 5.32.1. We were required to review policies to determine completeness and adherence to policies. We obtained and reviewed various policies provided to us by CSA

Officials. In order to determine completeness and adherence to policies, where applicable such as in procurement related matters, we applied the provisions of the policies against the facts established during our investigation.

- 5.32.2. We further reviewed the policies to determine whether they have been approved and reviewed on the date indicated as next review dates. We attach hereto a schedule of policies reviewed as **Annexure A**.
- 5.32.3. During our review of the various CSA policies, we noted that copies of the policies provided to us were not signed to indicate approval. We further noted that policies had review dates dating as far back as 2013, with no evidence that the said policies were reviewed.
- 5.32.4. We further identified that the following policy documents were not in place or do not currently exist:
  - 5.32.4.1. The Credit Card/Expenses Policy document;
  - 5.32.4.2. The Risk Management Policy and Procedures document; and
  - 5.32.4.3. The Cell phone Policy document.
- 5.32.5. With reference to our enquiries regarding the status of the Risk Management Policy and Procedures document, Gwaza stated that:
  - 5.32.5.1. He is currently the custodian of the risk register and manages it. This became his responsibility in July 2019.
  - 5.32.5.2. Before Gwaza arrived in July 2019 the custodian was the COO.
  - 5.32.5.3. The risk policy and framework are currently in draft format and CSA officials are still working on it, therefore it is not currently in place.
  - 5.32.5.4. Gwaza compiles the risk register with inputs from each business unit.
  - 5.32.5.5. It is then circulated to the board sub-committees for review and inputs.
  - 5.32.5.6. Once this is done it then goes to the AuditCom which has overall oversight of the risk register before it is sent to the Board.
- 5.32.6. This explanation provided by Gwaza corresponds with our understanding that the AuditCom has requested on numerous occasions that the Risk Register is

attached to the AuditCom packs for consideration at every meeting. We expand on this in the section dealing with the Accuracy of the Management Reports.

### 5.33. REVIEW OF KEY PROCUREMENTS CONTRACTS

5.33.1. We were required to review various procurements conducted in the past forty-eight (48) months in order to determine compliance with procurement policy and procedures, delegation of authority as well as other CSA policies. As a basic procedure, we set out to review the procurement files to determine whether the following procedures were adhered to in each key contract:

- 5.33.1.1. Budget;
- 5.33.1.2. Specifications and approval thereof;
- 5.33.1.3. Advertisements/tender request;
- 5.33.1.4. Bids/ quotations received;
- 5.33.1.5. Bid Evaluations;
- 5.33.1.6. Bid Adjudication;
- 5.33.1.7. Award letter;
- 5.33.1.8. Correspondence regarding contracting;
- 5.33.1.9. Service Level Agreements;
- 5.33.1.10. Purchase orders;
- 5.33.1.11. Invoices; and
- 5.33.1.12. Payments

5.33.2. Upon request of procurements files for the identified top 40 contracts, Hlengiwe Madondo (“Madondo”), CSA Procurement Manager indicated that the current staff at CSA cannot provide us with documentation supporting the initial decision to procure and/or conclude the contracts.

5.33.3. Madondo further indicated that documentation relating to procurement as indicated above would be on a computer that belonged to Lundi Maja (“Maja”), former Procurement Manager. We were provided with Maja’s laptop. We conducted searches on Maja’s computer to identify documentation relevant to our investigation, particularly the items mentioned in paragraph above.

5.33.4. During the searches and reviews, we identified various documentation relating

to procurement and suppliers, however the following supporting documentation could not be found:

- 5.33.4.1. Budgets;
  - 5.33.4.2. Specifications and approval thereof;
  - 5.33.4.3. Advertisements or requests for proposals;
  - 5.33.4.4. Bids/ quotations received;
  - 5.33.4.5. Evaluation Committee reports;
  - 5.33.4.6. Bid Adjudication Committee reports;
  - 5.33.4.7. Award of bids/ quotations;
  - 5.33.4.8. Service Level Agreements;
  - 5.33.4.9. Purchase Orders;
  - 5.33.4.10. Invoices; and
  - 5.33.4.11. Payments.
- 5.33.5. Madondo indicated that documentation required would be on the Procurement Server. CSA provided us with a copy of the Procurement Server, which we analysed. Upon analysis of the procurement server, we could not find the relevant procurement documentation
- 5.33.6. CSA provided us with copies of various Service Level Agreement/contracts entered into between CSA and various suppliers. We reviewed the various service level agreement and captured a schedule of contracts reviewed attached herewith as **Annexure B**.
- 5.33.7. We could not determine whether procurement processes were followed in the procurement of goods and services in terms of the 40 key contracts due to lack of documentation.
- 5.33.8. We determined that most of the Service Level Agreements/contracts reviewed related to procurement over R1 million. According to paragraph 3.4.2 of the Procurement Policy and Procedures policy, all procurements above R1 million must be considered for tender. Deviation from this requires the approval of the CFO/CEO and the Chairman of the FinCom.
- 5.33.9. As indicated above, we could not find documentation for purposes of confirming whether tender processes were followed. We further could not

confirm whether there were deviations. Sindiswa Ngcwabe, CSA Compliance Manager indicated that during the period that Maja was in control of procurement, CSA procurement processes were not being followed and the filing of documents was not good.

#### **NSA VULINDLELA AGREEMENTS**

5.33.10. We determined that CSA entered into various agreements with NSA Vulindlela (Pty) Ltd (“NSA Vulindlela”) for the provision of security related services. Based on the review of documentation provided to us by CSA, it appears that NSA Vulindlela had been rendering security services to CSA dating back to 2002. The said security services are in respect of inter alia:

- 5.33.10.1. Development of security plans for incoming tours for submission to the ICC ACSU and host board;
- 5.33.10.2. Assessment of plans submitted by host boards for outgoing tours with comments;
- 5.33.10.3. Provision of risk assessments for outgoing tours;
- 5.33.10.4. Provision of security briefings to teams touring SA as well as SA teams departing abroad;
- 5.33.10.5. Attendance at all international matches in South Africa;
- 5.33.10.6. Development of venue-specific “CSA Minimum Standards for international Matches”;
- 5.33.10.7. Attendance at meetings related to the safety at Sports and Entertainment Events Act, Act 2 of 2010 (“SASREA”).

#### **Agreement entered into 2015**

5.33.11. We determined that CSA entered into an agreement with NSA Vulindlela for the provision of security related services for the period 1 September 2015 to August 2019. The agreement was initially for a period of four years.

5.33.12. The agreement was signed on 23 September 2015 by Haroon Lorgat and Rory Steyn on behalf of CSA and NSA Vulindlela respectively.

5.33.13. According to the agreement, CSA had to pay a monthly retainer of R55 985.00. The said retainer would be discounted by 20% for four months in a year during off-season to an amount of R44 795.00 per month.

5.33.14. Furthermore, CSA agreed to pay a discounted daily fee of R3 025.00 per person in respect of Close Protection Officers (“CLO’s”) and Team Security Liaison Officers (SLO’s). In respect of event supervisors, CSA agreed to pay NSA Vulindlela R1 895.00 per person.

**Agreement entered into in 2019**

5.33.15. We determined that CSA entered into another agreement with NSA Vulindlela for the period of four years commencing 1 September 2019 to August 2023. The agreement was signed by Rory Steyn on 18 December 2019 on behalf of NSA Vulindlela. Faul signed the agreement on behalf of CSA and did not date the agreement.

5.33.16. The agreement was in respect of similar security related services as the previous agreement. The services included provision of security related services for the MSL as well. We noted that CSA agreed to pay NSA Vulindlela an amount of R67 741.00 per month in respect of consultancy and security management. The monthly fee would be discounted by 40% for four months a year during the off-season to R40 644.00 per month.

5.33.17. As indicated Faul signed the agreement on behalf of CSA. Faul was appointed Acting CSA CEO after Moroe was suspended. It follows that Faul signed the agreement at least after 6 December 2019, being the date of the suspension of Moroe. Based on Rory Steyn’s signature date of 18 December 2019, it follows that the agreement was signed after the commencement date of 1 September 2019.

5.33.18. We were provided with a Request for approval of deviation from procurement policy document. The document was compiled to request the Chairman of FinCom to approve a deviation from procurement processes relating to NSA Vulindlela. It was indicated that due to on-going services provided by NSA Vulindlela in the absence of a contract from August 2019, the need had arisen to apply for a deviation from procurement policy due to time constraints and the requirement of CSA.

5.33.19. The Request for approval of deviation from procurement policy stated that:  
*“Condone/Ratify the reappointment of NSAV for the provision of Security Services –*  

- as required to host International Matches by the International Cricket Council (ICC) and the SASREA Act of South Africa.*

- *as required for domestic competitions and/or activities, including Mzansi Super League (MSL) or same; as defined in the contract.*

*The duration of the contract is from 01 September 2019 to 30 April 2023; linked to ICC CWC to ICC CWC calendar with the total estimated value of R 6 885 617.00 as calculated on pages 3 and 4.*

*Condone/Ratify the unauthorized spend incurred in the absence of the contract for the period*

*01 May 2019 – 30 April 2020 including the MSL 2.0 (2019/20). It is understood that there was a verbal agreement expressed for the renewal subject to costs being retained at the same rate for an initial two-year period in the new contract.*

*Approval of inclusion of SA Women's Team security services in the NSAV contract. These services will also cover ICC FTP and Bi-lateral tours over the contract period. This cost cannot be quantified currently in the absence of an approved FTP programme for the Women's Team".*

- 5.33.20. According to the Request for approval of deviation document, in May 2019, Moroe and Appiah made a verbal undertaking to NSA Vulindlela that CSA would renew their contract from 1 May 2019 to 30 April 2023. It was further indicated that NSA Vulindlela had been the preferred supplier to CSA since 2002 as specialists in the security related services.
- 5.33.21. The Chairperson of FinCom was requested to approve the deviation from procurement processes for the NSA Vulindlela contract on condition that CSA seeks alternative suppliers in the market for the provision of security related services from 2023 onwards.
- 5.33.22. We determined that the request for approval of deviation document was prepared by Mike Gajjar, Cricket Operations Manager. The document was not approved.
- 5.33.23. Based on the above discussion, CSA did not follow procurement policies in the appointment of NSA Vulindlela for the rendering of services for the period 1 September 2019 to August 2023. According to the Request for approval of deviation, the duration of the contract is from 01 September 2019 to 30 April 2023, with the total estimated value of R 6 885 617.00.
- 5.33.24. Based on paragraph 3.4.2 of the CSA Procurement Policies and Procedures, the appointment of NSA Vulindlela must have been considered for tender. During



our telephone consultation with Mike Gajjar, Cricket Operations Manager, he indicated that CSA did not follow procurement processes in the appointment of NSA Vulindlela. He further indicated that the Deviation from procurement services was only approved by the Board in June 2020. The reason the deviation had to be considered by the Board was that the overall contract amount was over R5 million and above FinCom's delegation of authority.

- 5.33.25. Louisa Pheko confirmed that the Board approved the deviation from procurement services relating to NSA Vulindlela's contract in June 2020.
- 5.33.26. Paragraph 3.4.2 provides that deviation from the tender requirement requires approval of the CFO/CEO and the Chairman of the FinCom. As indicated above, the Charmain of FinCom did not approve or sign the Request for deviation.
- 5.33.27. Moroe is responsible for the overall management of CSA, including ensuring that its policies and procedures are adhered to.

#### **CONCLUSIONS RELATING TO APPOINTMENT OF NSA VULINDLELA**

Based on documentation reviewed and consultations conducted with CSA officials and third parties

- 5.33.28. CSA appointed NSA Vulindlela for the provision of security related services for the period 1 September 2019 to 23 August 2023;
- 5.33.29. The contract value in respect of the appointment of NSA Vulindlela was approximately R6.8 million;
- 5.33.30. Based on the contract amount, the appointment of NSA Vulindlela must have been considered for tender in accordance with paragraph 3.4.2 of the Procurement Policy and Procedures effective 1 February 2019;
- 5.33.31. Due to the contract amount of R6.5 million, deviation must be approved by the Board as the delegated authority;
- 5.33.32. Deviation was approved by the Board in June 2020, after the appointment of NSA Vulindlela effective 1 September 2019;
- 5.33.33. NSA Vulindlela rendered services to CSA without a contract and approval from the Board;
- 5.33.34. The Procurement department did not initiate contract renewal or advertisement timeously to avoid following a deviation process or causing CSA to pay for

services rendered without a contract;

5.33.35. Moroe failed to ensure that policies within CSA were adhered to and implemented in terms of clause 4.4.2 of his contract of employment; and

5.33.36. The continuous appointment of NSA Vulindlela as the preferred Service Provider for security related services without tender process deprives CSA an opportunity to obtain competitive quotations from other suppliers.

#### **RECOMMENDATIONS RELATING TO THE APPOINTMENT OF NSA VULINDLELA**

Based on the conclusions mentioned above, we recommend that CSA Board and Management consider the following:

5.33.37. Instituting disciplinary action against Moroe in that he failed to ensure that procurement processes were followed in the appointment of NSA Vulindlela;

5.33.38. Update the Procurement Policy and Procedure to clarify that deviation must be done prior to entering into a contract with a supplier as opposed to CSA ratifying minor breaches of procurement policies after the fact (entering into a contract or placing an order with a service provider);

5.33.39. That in future a tender process be followed in the appointment of security related service provider to ensure that CSA benefits from obtaining competitive bids.

#### **5.34. PERFORMANCE AT CORPORATE LEVEL SCORECARD AND PAYMENT OF SHORT-TERM INCENTIVES**

5.34.1. Based on the review of Remco and Board minutes of meeting, we determined that CSA had, for a number of years (dating back prior to 2016), included a recognition element in employees' remuneration that is generally referred to as a Company Performance Rating or Score.

5.34.2. We determined that in order to give effect to the Company Performance Rating or Score, document titled "Cricket South Africa – Assessment of Performance at Corporate Level for the year ended ..." is completed.

5.34.3. We were provided with spreadsheets and calculations dating back to 2015. We determined that scoring is applied over 5 categories, each with a rating attached to it, as follows:

	2020	2019	2018	2017	2016	2015
CSA Corporate Scorecard	25%	25%	25%	25%	30%	30%
Actual Revenue vs Budget	15%	15%	15%	15%	15%	15%
Operating costs vs Budget	10%	10%	10%	10%	15%	15%
Cricket Activities	20%	20%	20%	20%	20%	20%
Presidential Plan <sup>N1</sup>	30%	30%	30%	30%	20%	20%
<b>Actual Score</b>	<b>3.3</b>	<b>3.8</b>	<b>4.2</b>	<b>3.9</b>	<b>4.1</b>	<b>4.1</b>

5.34.4. N1 – This category measures delivery on CSA’s long-term strategic mandate and is subdivided into further categories, including Excellence, Development, Sustainability, Transformation and Brand & Reputation.

5.34.5. Moseki provided us with a document styled “Guidelines on Keeping Score!” that appears to have been discussed at a Remco meeting dated 27 November 2014. Based on the review of Guidelines on Keeping Score, we noted that CSA developed a performance feedback system for staff.

5.34.6. The Guideline on the performance feedback system, reflected that the objectives of the Keeping Score Performance Feedback system was as follows:

*“a) Primary purpose: Giving feedback on performance, identifying and acting on development needs and giving feedback on living the CSA values.*

*b) Secondary purpose: Helping to inculcate and maintain a culture of Accountability within CSA.*

*c) Other purpose: Acting as an input into the SA Short Term Incentive scheme.”*

- 5.34.7. With reference to the Short-Term Incentive Scheme, the Guideline on Keeping Score indicates the following:
- 5.34.7.1. The CSA Remuneration Philosophy applies the principle that guaranteed pay is earned for doing what is expected of you and that variable pay should not be earned if these expectations are not met;
  - 5.34.7.2. Remco has absolute discretion in all aspects relating to the STI scheme;
  - 5.34.7.3. STI amounts earned by individuals will be determined based upon performance measured at different level i.e. CSA, Department and Individual, with different weightings applied to each level to reflect individuals' accountability, responsibility and ability to impact performance at the different levels.
  - 5.34.7.4. For CSA performance, the measures, their weightings and targets will be approved annually by the Board for CSA
  - 5.34.7.5. Where individual performance does not "meet requirements" an individual will not be eligible to receive an STI award for the year.
  - 5.34.7.6. Details of the STI are defined by the formal scheme rules.
- 5.34.8. During our consultation with Moon, she indicated that she took over responsibility as Head of Human Resources in November 2019. Moon confirmed that CSA is still using the Guideline on Keeping Score Performance Management system. Moon further indicated that the Incentive Score Card score is a necessary measure to determine the size of the short-term incentive pool to be paid annually to the CSA Executives and staff.
- 5.34.9. Moon indicated that the incentive score generally impacted the incentive paid to senior staff members at CSA, due to the manner in which the short-term incentive is determined. According to Moon, the Company portion of the short-term incentive is determined based on the Incentive Score Card Score. The higher the score, the higher the "company" portion of the incentive. At the Chief Executive Officer level, the Company portion of the incentive is 80% of his/her short-term incentive. This compares to the general staff where 80% of their incentive is driven by their own performance rating.
- 5.34.10. Moon sent us the below table, to explain the various categories and calculations of the short-term incentive:

5.34.11. CSA short-term incentive performance measures<sup>1</sup>

	Company	Department	Individual
Chief Executive	80%	n/a	20%
Executive - upper level	50%	20%	30%
Executive - lower level	40%	30%	30%
Managerial	25%	25%	50%
General staff			
- C grade	20%	20%	60%
- B grade	15%	15%	70%
- A grade	10%	10%	80%

<sup>1</sup> CSA uses the Patterson Grading system.

5.34.12. We determined that the Remuneration Policy at CSA was approved on 21 November 2011 by the CSA ARC and ratified by the Board at its meeting in January 2012. The revision date was set to be May 2013, but there is no indication of further revisions to the policy.

5.34.13. We have quoted below extracts of the Remuneration Policy, in as far as it relates to authority to approve various metrics of remuneration. The Remuneration Policy indicates that it is the responsibility of Remco to:

5.34.13.1. Review and approve remuneration policies;

5.34.13.2. Review and render decisions on matters for which authority has not been otherwise delegated;

5.34.13.3. Remuneration matters pertaining to the CEO and CFO.

5.34.14. The Remuneration Policy further states that "it is the responsibility of the CEO and CFO to:

5.34.14.1. Review and approve remuneration package structures, ranges and related schedules, for all staff members;

- 5.34.14.2. Review and approve remuneration package structures, ranges and related schedule for the top five salaried employees and present these to Remco.
- 5.34.15. The Remuneration Policy further indicates that “the matrix for salary increases will be reviewed each year and approved by Remco for general staff and approved by the CSA Board for the top five salaried employees, being the CEO, CFO and any other prescribed officer.
- 5.34.16. In turn Remco’s responsibilities are to:
  - 5.34.16.1. Assist the Board in exercising its function and ensuring that competitive reward programmes and strategies are in place...
  - 5.34.16.2. Determine the company’s overall remuneration philosophy and any specific policies on executive and staff remuneration
  - 5.34.16.3. Approve the benchmarking methodology to be adopted by CSA for the setting of base salaries and any incentive amounts for all staff
  - 5.34.16.4. Consider and approve the company’s short-term incentive scheme (design principles, target setting and allocation principles) and where appropriate make recommendations to the Board for approval
- 5.34.17. The Remco terms of reference (approved in 2016) also states that it is the responsibility for the Chief Executive Officer to implement the company’s remuneration philosophy and policies as approved by Remco, including the remuneration and annual performance appraisals of members of his executive team.
- 5.34.18. With reference to the payment of short-term incentive bonuses, the Remuneration Policy states the following:
  - 5.34.18.1. “CSA bonus scheme takes into consideration organisation, team and individual contribution to the achievement of business goals as managed through the performance management process.
  - 5.34.18.2. Annual Formal Performance Reviews will be taken into consideration when evaluating overall individual performance
  - 5.34.18.3. The bonus calculation will be linked to the overall performance score

- 5.34.18.4. The 360-degree process will be used as a development tool and will not be linked to the bonus award
- 5.34.18.5. The value of the award is captured in the incentive scheme rules
- 5.34.18.6. The performance management system reflects performance on a 5-point scale
- 5.34.18.7. CSA expects a normal distribution of performance score
- 5.34.18.8. Performance measures are individually agreed and are within the line of sight of the employee and the role they are in
- 5.34.18.9. Executive bonus scheme must be clearly linked to agreed or contracted robust financial and strategic results; with a clear link between executive delivery, actions and rewards at the end of the financial year
- 5.34.18.10. Details of the short-term incentive scheme are defined by the formal scheme rule guidelines”
- 5.34.19. We were not provided with the “formal scheme rule guidelines” at the time of issuing this report
- 5.34.20. Based on our consultations with Moon, Moseki and Faul, as well as a review of Remco minutes we understand that the Company Score Card assessment is completed by EXCO and discussed at Remco. Remco thereafter recommends approval of the Score Card to the Board. The Board minutes reflect that the Company Score Card was approved annually at a Board Meeting or a Circular Resolution on the recommendation of Remco.
- 5.34.21. Both the Remco and Board minutes of meeting are brief and there is no detail of the discussions that occurred in this regard. A Board Paper, prepared by Remco accompanied the Board Pack. In this Board paper the total annual short-term incentive amount is stated, but it is unclear whether any further detail of individual bonuses was discussed or disclosed.
- 5.34.22. Based on our consultation with Moseki, it appears unlikely that the Board would have sight of the individual proposed incentives paid to staff. The Board would only approve the CSA Company Score and have knowledge of the total bonus pool awarded. The CEO would be responsible for finalising the short-term incentives payable to staff and Remco will approve the bonuses payable to Exco.

5.34.23. Based on our consultation with Moon, Moseki and Faul, we understand that they were not previously involved in the completion of a Company Performance Score Card or the calculation of individual incentives payable to staff. They were only appointed after the 2019 increases and incentives were approved. They have therefore, for purposes of 2020's increases and short-term incentive payments followed the process that was followed in the past, on the basis as they understand it.

5.34.24. In an attempt to understand the relative size of bonuses paid to CSA staff, Moseki provided us with an indication of the FY2018/2019 incentives as a percentage of remuneration:

Total incentive paid as % of total remuneration (salary only)	21%
CEO incentive as % of total remuneration (salary only)	47%
COO incentive as % of total remuneration (salary only)	40%
ACFO incentive as % of total remuneration (salary only)	46%
Exco other as % of total remuneration (salary only)	37%

5.34.25. From the above information, it appears reasonable to infer that the CSA Performance Score Card plays a pivotal role in determining the bonuses of the senior executives at CSA.

5.34.26. Although it is not clear whether a score of less than 3, or a score of 2 results in no incentives being paid (score reflects performance less than at expected level) it appears that it is a general understanding at CSA that should the Company Score be below 3, no incentive is payable. In a HR paper addressed to Remco for the meeting of 8 May 2018, the document specifically states that an individual with a score of 2 or less should not qualify for a STI award.

5.34.27. Moon indicated that she has been tasked to evaluate the manner in which CSA's remuneration and short-term incentive policy is dealt with in practical terms. According to Moon, CSA has a good Performance Management system in place, however it is not being used to its full potential. She also indicated that certain principals needed to be enhanced and clarification obtained to ensure KPI's are



clear and measurable. Moon indicated that it is important to get the structure right, so that CSA can reap the benefit of having a short-term incentive program to reward staff.

### **Conclusions relating the Company Scorecard**

- 5.34.28. CSA has a Remuneration Policy in place since 2011. This policy does not appear to have been updated;
- 5.34.29. CSA developed a performance management system called Keeping Score! This appears to have been implemented from FY2014 or FY2015 and, according to Moon, is still the performance management system that is being used;
- 5.34.30. Both the remuneration policy and a paper explaining the Keeping Score! Performance management system refer to short term incentive guidelines. We were unable to source a copy of these guidelines from CSA;
- 5.34.31. It appears that with the high staff turn-over on senior level, experienced by CSA in 2019, the corporate memory regarding the performance management system and the short term incentive system, was lost and that current staff and executives are relying on explanations and previous calculations to determine how to deal with the payments and increases in 2020;
- 5.34.32. The Corporate Performance Score Card was historically completed annually by Exco, considered by Remco and recommended to the Board for approval;
- 5.34.33. The Board annually approved the Corporate Performance Score Card;
- 5.34.34. The Corporate Performance Score Card score was necessary to determine a portion of the short-term incentive awarded to staff. The higher the position at CSA, the more the Corporate Performance Score Card impacted on the short-term incentive calculation. The other two performance measures were the business unit performance and the individual performance;

### **5.35. Geo-Political Alignment**

- 5.35.1. We understand that CSA has twelve (12) Affiliates and two (2) Associate members. The Members Council consists of 12 seats, one from each of the Affiliate Members. The two Associate Members are invitees to the Members Council. There are nine (9) Geo-political provinces in South Africa.
- 5.35.2. During the Members Council Meeting of 29 January 2016, Jordan indicated that National Sporting Federations would soon be required to have footprints covering all 52 districts. The Members Council noted Jordan's Geo-Political

Demarcations report. We determined that the Combined Board and Members' Council of 25 July 2016 agreed with the process for Geo-Political Alignment.

- 5.35.3. The National Sport and Recreation Plan requires CSA to recognize nine (9) Geo-political Provinces as Members. The Geo-Political alignment requires that all fifty-two (52) Municipal Districts should be represented in the CSA, through Provincial Councils to be formed in alignment with the nine (9) provinces.
- 5.35.4. The envisaged Geo-Political alignment would result in the various affiliates within Provinces merging and forming one Council per Province. As an example, the three Gauteng provincial unions, namely the Gauteng Cricket Board, Northerns Cricket Union and the Eastern Cricket Union will have to merge to form one Council. The same goes for the Western Cape where the South Western Districts Cricket Board, Boland Cricket Board and Western Province Cricket Association will also have to merge and form one Council.
- 5.35.5. During our consultation with Jordaan, he indicated that the Geo-Alignment process commenced in 2016. Jordaan further indicated that the only Province that appears to have problems was Gauteng. In his status report on Member Compliance dated 6 March 2020, Jordaan indicated that:
  - 5.35.5.1. North West Cricket did not have democratically elected district representatives on its provincial structure;
  - 5.35.5.2. The Eastern Cape comprises of two competition structures within the CSA operations. The finalisation of the Provincial Constitution was neglected. None of the naming conventions of the competition structures reflect any Geo-Political region of the Eastern Cape. The initial interim provincial structure has become non-representative since the resignation of the previous Border president and CEO;
  - 5.35.5.3. Three of the CSA competition Structures are located within a single Municipal District only i.e. Eastern Cricket Union, Northerns Cricket Union and Western Province Cricket Association;
  - 5.35.5.4. The Central Gauteng Lions does not reflect the proportional representation and or inclusion of all the districts within its area of jurisdiction. The Province of Gauteng and all cricket structures are not geo-politically aligned.

5.36. **ATTEMPTS TO CONSULT WITH MOROE**

Below is a time line of the various attempts to consult with Moroe:

5.36.1. **On 5 May 2020**

- 5.36.1.1. We contacted Moroe and introduced ourselves as Forensic Investigators appointed to conduct CSA investigations;
- 5.36.1.2. We informed Moroe that we would like to have a consultation with him;
- 5.36.1.3. Moroe agreed to consult with us and requested that we send him the items we would like to consult with him on;
- 5.36.1.4. Moroe promised to send us his private email address to send the items for consultations;
- 5.36.1.5. We contacted Moroe to remind him to provide us with the email address;
- 5.36.1.6. At 16:05, Moroe provided us with his private email address tg.moroe@gmail.com;
- 5.36.1.7. We agreed with Moroe for a consultation date of 11 May 2020; and
- 5.36.1.8. We sent an email on 5 May 2020 at 16:14 to invite Moroe for a consultation meeting on Monday, 11 May 2020.

5.36.2. **On 6 May 2020**

- 5.36.2.1. We sent an email to Moroe with the list of items we required to consult with him on.

5.36.3. **On 8 May 2020**

- 5.36.3.1. We sent an email to Moroe to confirm the meeting of 11 May 2020;
- 5.36.3.2. Moroe indicated that he had approached his attorney to represent him in the consultation on 11 May 2020 and promised to get back to us on the same day;
- 5.36.3.3. Moroe requested that we make his lap top available as he would want to have access to it during the consultations on 11 May 2020;
- 5.36.3.4. We contacted Gwaza and made the necessary arrangements to make Moroe's lap top available for the consultation to which Gwaza

agreed;

5.36.3.5. Moroe did not get back to us as promised; and

5.36.3.6. We made several calls to Moroe which were not returned.

5.36.4. **On 9 May 2020**

5.36.4.1. We made several calls to Moroe which were not returned;

5.36.4.2. We requested Welsh Gwaza to contact Moroe to call us back as promised on 8 May 2020;

5.36.4.3. Gwaza indicated that he managed to get hold of Moroe and the latter promised to call us on 9 May 2020;

5.36.4.4. Moroe failed to contact us as promised;

5.36.4.5. We made a further attempt to call Moroe and upon him answering, he indicated that he was still waiting for his attorneys to get back to him; and

5.36.4.6. Moroe failed to get back to us on 9 May 2020 as promised.

5.36.5. **On 10 May 2020**

5.36.5.1. We contacted Moroe to confirm our consultations with him to be held the following day i.e. 11 May 2020;

5.36.5.2. After Moroe failed to answer we contacted Gwaza to again assist in requesting Moroe to call us;

5.36.5.3. We again attempted to contact Moroe who eventually answered and indicated that he was in the process of contacting us to give us an update on his discussions with his attorneys;

5.36.5.4. Moroe further indicated that he believed that he had not been charged and as a result in his view CSA wanted to consult with him in order to get information to charge him;

5.36.5.5. Moroe indicated that he would get back to us to confirm if he would make himself available for consultations on Monday, 11 May 2020; and

5.36.5.6. Moroe failed to get back to us on the promised date.

5.36.6. **On 11 May 2020**

- 5.36.6.1. We contacted Moroe upon which he indicated that he had not given us an update as his attorneys had not contacted him to confirm their availability;
- 5.36.6.2. Moroe indicated that he did not know when his attorneys would be available for the consultations and indicated that he would call us on 12 May 2020 to confirm his attorney's availability;
- 5.36.6.3. We requested Moroe to avail himself for a consultation on 12 May 2020; and
- 5.36.6.4. Moroe sent us an email at 1:10PM and indicated that his attorneys would meet with him on 12 May 2020. Moroe indicated that they would revert later on 12 May 2020.

5.36.7. **On 12 May 2020**

- 5.36.7.1. Moroe failed to contact us;
- 5.36.7.2. We tried to contact Moroe at 19:16 and 19:17 but his phone was off;
- 5.36.7.3. Marius Schoeman forwarded us communication between Moroe and Chris Nenzani;
- 5.36.7.4. In the communication, Moroe indicated that he did not refuse to consult with us;
- 5.36.7.5. Moroe further indicated that he undertook to revert to us upon meeting with his attorneys; and
- 5.36.7.6. We sent an email to Schoeman and Moroe to indicate that we never said that he refused to meet or consult with us.

5.36.8. **On 13 May 2020**

- 5.36.8.1. We sent an email to Moroe at 08:45 reminding him of an undertaking to call us back on 12 May 2020 with an indication of a consultation date;
- 5.36.8.2. We indicated to Moroe that we were going to escalate the matter to CSA as we wanted to complete the investigations without delays;
- 5.36.8.3. Moroe responded to our email at 17:11 and apologised for the delayed response;

- 5.36.8.4. Moroe indicated that he was dealing with the fact that he was refusing to see us for purposes of investigation;
- 5.36.8.5. In the same email, Moroe requested Welsh and Chantel (who he copied in the email) to assist him in getting the Chairman to give him the go ahead to forward the requested information to him as he did not want to delay the investigations;
- 5.36.8.6. Moroe further indicated that his email had not been acknowledge by CSA and as a result he did not know how long he had to anticipate it would take before he gets the documents;
- 5.36.8.7. Moroe further asked Welsh and Chantel to please work with him to resolve the matter as soon as possible;
- 5.36.8.8. Moroe further indicated that he and his attorneys were unable to give us a date of when they could come to our offices until CSA helped with information;
- 5.36.8.9. Moroe further indicated that our report would have to be delayed unless CSA was prepared to move without us having interviewed him; and
- 5.36.8.10. We assisted CSA by purchasing a hard drive and saving all the documents utilised during our investigation in the hard drive and handed it over to CSA to give to Moroe.
- 5.36.9. **21 May 2020**
  - 5.36.9.1. Gwaza met with Moroe and provided him with a hard drive containing information we saved as well as information saved therein by CSA.
- 5.36.10. **24 May 2020**
  - 5.36.10.1. We received an SMS from Moroe indicating that he would be meeting with his attorneys the following day i.e. 25 May 2020.
- 5.36.11. **25 May 2020**
  - 5.36.11.1. We sent Moroe an email at 11:05 requesting him to provide us with an update by close of business;
  - 5.36.11.2. Moroe stated that he worked for four hours through the data provided to him by Gwaza on 21 May 2020; and

- 5.36.11.3. Moroe indicated that he would meet with his attorneys on Thursday possibly 28 May 2020.
- 5.36.12. **29 May 2020**
  - 5.36.12.1. We received a letter from Motsoeneng Bill Attorneys requesting further details to two of the items we wanted to consult with Moroe on; and
  - 5.36.12.2. We undertook to respond by 1 June 2020 as 29 June 2020 was on a Friday.
- 5.36.13. **1 June 2020**
  - 5.36.13.1. We provided details to Motsoeneng Bill Attorneys as requested in their letter of 29 May 2020;
  - 5.36.13.2. Motsoeneng Bill Attorneys confirmed receipt of our letter dated 1 June 2020;
  - 5.36.13.3. We issued our first draft report after having been requested to do so by CSA Steerco; and
  - 5.36.13.4. The first draft report related to matters relating to Moroe.
- 5.36.14. **3 June 2020**
  - 5.36.14.1. We sent an email to Motsoeneng Bill Attorneys following up on our letter dated 1 June 2020 with a view to determine when we could consult with Moroe.
- 5.36.15. **4 June 2020**
  - 5.36.15.1. Motsoeneng Bill Attorneys sent an email indicating that they had scheduled a meeting with Moroe for Monday 8 June 2020 to discuss in detail the matters clarified in our letter dated 1 June 2020. Motsoeneng Bill Attorneys undertook to revert to us on or by Tuesday 9 June 2020 regarding our email of 3 June 2020.
- 5.36.16. **8 June 2020**
  - 5.36.16.1. Motsoeneng Bill Attorneys addressed a letter to CSA requesting further documents. We were copied in the said email; and
  - 5.36.16.2. We requested CSA to provide us with the way forward.

5.36.17. **15 June 2020**

5.36.17.1. Motsoeneng Bill Attorneys addressed a letter to CSA requesting further documents. We were copied in the said email.

5.36.18. **16 June 2020**

5.36.18.1. Gwaza sent an email to Motsoeneng Bill Attorneys to request Moroe to return the hard drive provided to the latter on 21 May 2020 in order to load more documents. We were copied in the said email.

5.36.19. **17 June 2020**

5.36.19.1. Motsoeneng Bill Attorneys responded to Gwaza's email of 16 June 2020 requesting confirmation relating to the venue of the meeting where Moroe needed to deliver the hard drive for CSA to load information. We were copied in the said email.

5.36.20. **18 June 2020**

5.36.20.1. Gwaza sent an email to Motsoeneng Bill Attorneys indicating that he was available to meet with Moroe to collect the hard drive on 22 June 2020. We were copied in the said emails.

5.36.21. **19 June 2020**

5.36.21.1. Motsoeneng Bill Attorneys sent an email to Gwaza noting his email of 22 June 2020. We were copied in the said email.

5.36.22. **22 June 2020**

5.36.22.1. Gwaza sent an email to Motsoeneng Bill Attorneys indicating that CSA was reviewing further information in order to provide additional information to Moroe. We were copied in the said email.

5.36.22.2. Motsoeneng Bill Attorneys noted Gwaza's email. We were copied in the said email.

5.36.23. **25 June 2019**

5.36.23.1. We sent an email to CSA to seek guidance relating to the possibility of consulting with Moroe before issuing our report;

5.36.23.2. CSA requested us to issue our updated report which was issued on 26 June 2020.



It should be noted that our last communication to Moroe and his attorneys were on 4 June 2020 when we were following up on our letter dated 1 June 2020 with a view to determine when we could consult with Moroe. Motsoeneng Bill Attorneys responded to our email on 4 June 2020 and indicated that would revert to us by 9 June 2020 relating to Moroe's availability for a consultation.

Motsoeneng Bill Attorneys did not confirm a meeting with Moroe, instead they copied us in all their communications to CSA relating to inter alia outstanding documentation requested from CSA on behalf of Moroe.

Please do not hesitate to contact Ernest Nekhavambe on 011 403 2526 on any matter set out in this final report.

Yours faithfully

A handwritten signature in black ink, consisting of stylized, overlapping letters and a long horizontal stroke extending to the right.

Ernest Nekhavambe

**Managing Director: Fundudzi Forensic Services (Pty) Ltd**