

Media Statement



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TO: ALL MEDIA

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RE: RESTRAINT ORDER GRANTED ON PROPERTIES OF ACCUSED IN THE AMAHLATHI MUNICIPALITY YELLOW PLANT TENDER FRAUD CASE

Last week Friday, 26 February 2020, the NPA's Asset Forfeiture Unit (AFU) successfully applied to the Eastern Cape High Court to grant a restraint order on assets of businessman Mcebisi Rudolph Mlonzi (48), his company Kwame Capital, as well as the assets of the former Municipal Manager of Amahlathi Local Municipality (ALM), Balisa King Socikwa (57). The granting of the order means the properties of the accused persons and the company involved are frozen, so they cannot sell or deal in a manner meant to dispose of them.

The restraint order is in relation to the ongoing case in which the state charged Mlonzi and Socikwa for Fraud and for contravention of the Municipal Finance Management Act, 56 of 2003, involving approximately R92 million. The duo is out on R50 000 and R30 000 bail, respectively.

It is the state's case that on 31 March 2014, a contract awarding Laman Financial Services (Former name for Kwame Capital) a R92 million for the lease of the yellow plant to ALM for 3 years was signed. Laman Financial Services did not own the yellow plant, but was leasing it from Barloworld. Socikwa flouted the required procurement processes to favour Mlonzi. A National Treasury investigation into the matter found that the ALM contract was unlawful. It is also alleged that Mlonzi made misrepresentation that his company, Laman Financial Services, was the owner of the yellow plant, while in fact it belonged to Barloworld and Avis. Further, the contract between Barloworld and Laman Financial Services as well as between Laman Financial Services and Avis, precluded Laman Financial Services from on-leasing the machinery.

ALM suffered a loss of R92 million on the machinery it would never be in a position to own and this constitutes fraud. The restraining order is aimed at ensuring that the lost money is recovered from those who unduly benefited from the fraudulent transaction.

Laman Financial Services fell behind on rental and/or lease repayments and eventually ceded the contract it had with Barloworld to BLC, which paid the outstanding amounts to Barloworld in a deal that saw BLC becoming the owners of the machinery.

During the last four years, ALM has been beset with protest by the community bemoaning lack of service delivery, which resulted in the municipal building being set on fire. Currently the municipality is in serious financial difficulties and at some stage it was reported that ALM would not be able to pay salaries of its employees.

In a related corruption case, on 02 December 2019, the AFU successfully applied for a restraint of R81 million worth of assets of those involved in the Amathole/Siyenza "pit toilet tender scandal".

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