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Fronting claim prompts raid

Medical waste firm probed for tender fraud
February 23, 2010

By SAMANTHA ENSLIN-PAYNE

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Allegations of fronting and fraud prompted a raid by the commercial crimes unit of the SAPS of medical waste disposal business Compass Waste Services.

The business is the focus of an investigation by the KwaZulu-Natal Department of Health and the police after the police seized documents and computers from its head office in Durban on Friday.

Compass Waste Services is alleged to have used a business called SharpSAFE that it set up to secure contracts on the basis that this firm was black owned. But is alleged that Compass Waste Services owns the business.

A senior manager at the provincial Department of Health confirmed yesterday that an investigation into Compass Waste Services in conjunction with the SAPS's commercial crimes unit, was now under way.

Mbuso Ngcobo, a general manager for risk and audit at the department, said it was unclear when the probe would be completed.

"We will look at the evidence and see what we have."

Compass Waste Services is a major service provider to the department.

If the allegations prove to be true there could be a number of consequences, including the termination of contracts and possible criminal charges.

Ngcobo said if the allegations were valid "it is very unlikely a service provider could do this without collaboration from people inside the department. So the investigation will also focus on that.

"We are trying to ensure clean government," he said.

But Ian Du Randt, the managing director of Compass Waste Services, said yesterday the business "has not been involved in any form of fronting whatsoever". Tenders awarded to Compass Waste Services had all been those adjudicated in terms of the 90:10 point principle where price is the overriding consideration.

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Rogers Dube, who resigned on Friday as a Compass Waste Services employee after joining the firm in 2001, said yesterday that in 2002 Du Randt suggested establishing a close corporation called Sharpsafe to supply medical waste containers.

Dube became the managing member, but he said all Sharpsafe's finances were handled by Compass and he had no access to the bank account or even the post box for the firm.

Du Randt said Compass did not use any black empowerment company to secure business for itself. He said Sharpsafe was incorporated in January 2002, while the Department of Health tender had been awarded in 1999.

Du Randt said Sharpsafe was and still is 100 percent black owned and is registered as such.

But Dube said a few months after Sharpsafe was registered he signed a document, which he was not given time to read properly. It later transpired the document gave Du Randt 95 percent ownership of Sharpsafe and left him with 5 percent.

Du Randt said Sharpsafe had never been awarded any tender business, but had serviced private doctors.

Sharpsafe's financial records show that in the 12 months to February 2010 its turnover had been a mere R7 156.50, Du Randt said.

"The corporation has not proved profitable," he said.

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