



MINISTRY  
COMMUNICATIONS AND DIGITAL TECHNOLOGIES  
REPUBLIC OF SOUTH AFRICA

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**THE SOUTH AFRICAN POSTBANK ANNUAL GENERAL MEETING**  
**SHAREHOLDER'S REMARKS**

**14 September 2023**

Firstly, let me appreciate the Postbank management, under the leadership of the CEO, Ms Nikki Mbengashe, for the agility displayed in the recent past. I am well aware that both the CEO and the Company Secretary, who have been in constant engagement with the Ministry and the Department on burning issues that have required management, have only been in the Postbank employ for a mere two months. This is certainly what we call baptism of fire. CEO, at this point, I can confidently say that you have allowed for the ship to remain afloat during the most difficult and testing time in the life of the Postbank. This is acknowledged and gives me, as shareholder, hope for the future of the Postbank.

Some may wonder why the Shareholder's focus has been on management. Of course, the big elephant in the room is the reality that we no longer have a board. This has been caused by the resignations of the directors that I received on 12<sup>th</sup> September 2023. I think it is important for this AGM to be taken into confidence about the process that has unfolded since July 2023 and that has led us to where we are.

Having assumed the role of the Postbank shareholder in March 2023, I immediately engaged with the Board of Postbank in order to establish a relationship and insist on an open-door policy between myself as the shareholder and executive authority and the Board, as the Accounting Authority. I did this being mindful of the critical mandate that Postbank has as a bank that promotes financial inclusion to ensure that the unbanked and the underbanked have access to bank accounts, bank facilities as well as financial services of any kind. As government, we desire to see Postbank to become a quality state bank. When engaging with the Board, this vision was outlined.

Subsequent to the initial meeting with the Board, I personally had a number of engagements with the former chairperson to get update on matters requiring the Shareholder's attention in order to ensure that we provide all the required support.

In July 2023, KPMG requested a meeting with me wherein two damning forensic investigation report were tabled. As most of you in this room are aware, KPMG was appointed to conduct two forensic investigations into allegations of theft from Postbank through cash-out incidents. The amount that is reported to have been stolen from Postbank to date is around R120 million. In summary, this theft has been committed using existing accounts of SASSA beneficiaries, withdrawing cash at ATM's, thereafter, cleaning up the transaction history on that specific account so that the money transferred and withdrawn does not reflect. The report shows that the banking system of the Postbank was intercepted, and employees of the Postbank have also been implicated in the process. Necessary action has been instituted. This includes internal disciplinary processes and criminal investigations.

The second forensic investigation relates to Postbank contract management. The allegations were that the Postbank has continued to use service providers that have not been lawfully contracted. These service providers are being paid millions without valid contracts and proper procurement processes being followed. KPMG recommended that the shareholder must take action against the Board of directors. This recommendation was also supported by Senior Counsel's legal opinion, taking into account the details contained in the report.

I pause to mention that the KPMG forensic investigation was initiated by my predecessor in April when she wrote to the Postbank Board raising her concerns about the failure of the Board to attend to risks faced by the Postbank, despite them being raised by the Auditor-General. This has led the Postbank under its current leadership to receive disclaimers from the AG for 3 consecutive years.

The KPMG Report which was handed over to the Postbank called for me to request an explanation from the Board as the accounting authority on what steps have been taken by the Board to deal with issues relating to contract management. I specifically asked the Board to account for why it had not followed proper procurement processes. It is important to mention that as far back as 2021, the Postbank Board had resolved to do proper contract management and review. This was in acknowledgment of the fact that Postbank had ceded a number of existing contracts from SAPO. However, the Board failed to do so. What is more shocking is that when some of these contracts expired, the Postbank just resolved to continue with them

and categorize payments made to those service providers as irregular, without rectifying the irregularity.

The Postbank Board went further to initiate new contracts with no valid agreements in place. An example of this is a contract to provide for a financial switch. This is a critical system that Postbank requires. The Board never entered into a valid contract with the service provider and to date an amount of more than R140 million has been paid. The KPMG investigation flags this contract. Once again, when the Board was asked to explain themselves, the Chairperson of the Board furnished a shocking response that illustrated flagrant disregard of the law and dereliction of the fiduciary responsibilities, as directors. He acknowledged that there was no contract in place and that the Board was now in the process of finalizing a new contract. He still did not address why there has not been a procurement process followed. When further asked to account in light of the KPMG forensic report, the Chairperson's response was that the Board is still seeking a legal opinion and they will explain themselves to the Minister in the first week of August.

A response was received from the Board, after receiving legal advice. However, the Board response was very concerning. To date the Board has failed to acknowledge that their actions were in direct contravention of Section 217 of the Constitution and the PFMA. The Board has never obtained Treasury condonation for these irregular payments that it has made. What is even more shocking is that in December 2022, the service provider in question served the Board with summons relating to non-payment, but the Board still failed to prioritise initiating a proper procurement process in order to ensure that the services required are provided lawfully and regularly.

The Board has sat with this unlawfulness and irregularity for a very lengthy period. The new directors appointed in October 2022 were also exposed to this irregularity but according to Postbank records, it doesn't appear that there were any objections to these irregular practices. I am therefore of the view that there was a lack of oversight by the directors. They failed to exercise their director's duty of a degree of care, skill and diligence which can be reasonably expected of them.

After receiving responses from all directors and giving them a period of almost two months to explain their actions and make representations, I then expressed my intention to make my final decision here at the AGM in terms of Section 71 of the Companies Act. This section sets out the process a shareholder must follow to remove directors.

After the directors received my notice in terms of Section 71, I have received 6 resignations with immediate effect, and I accept these resignations.

I have now instructed the Department to urgently issue an advertisement for the appointment of new directors. I am however mindful that this process must be done in accordance with the Postbank Act. This therefore means that until the board appointment process is concluded, I must ensure that there is no governance lacuna at Postbank.

In terms of section 25 of the Postbank Act 9 of 2010, I have decided to appoint Mr Khayaletu Ngema as the administrator of the Postbank pending the appointment of the new board. Mr Ngema is currently employed as the Special Advisor in my office. I want to emphasise that this is by no way an intervention to disable management from proceeding with its work at an operational level. Rather, it is an enabler to ensure that decisions requiring Board approval can still be processed by the Administrator while we finalise the recruitment of a new board.

I want to express my full confidence to the remaining Postbank team. You have the shareholder's support. We are here to assist you in ensuring that we comply with the variation notice. We must also ensure that our banking system is sophisticated enough so we can properly fulfil our mandate to pay social grants beneficiaries timeously and without avoidable glitches. Furthermore, we must finalise the card replacement plan and distribution within the targeted period and also turn around the Postbank to become one of the banks of choice for the majority of ordinary South Africans.

Thank You.