



## **EFF STATEMENT ON FAILURE BY MINISTER OF FINANCE TO HOLD PRIVATE SECURITY COMPANIES AND MUNICIPALITIES ACCOUNTABLE FOR THEFT OF WORKERS' PENSION FUNDS, AND INTENTION TO ESTABLISH AN AD-HOC COMMITTEE OF INQUIRY**

Friday, 30 August 2024

The Economic Freedom Fighters (EFF) is disgusted by the complete lack of regard by Minister of Finance, Enoch Godongwana, who has deliberately resolved not to execute his executive responsibilities as it relates to the massive theft of workers' monies by private security companies and municipalities in South Africa.

On the 22nd of February 2024, following a picket at the offices of the Department of Labour the EFF led by its Head of Labour Desk Commissar Hlengiwe Mkhali met with the Department of Labour, the National Bargaining Council and the Commission for Conciliation, Mediation, and Arbitration (CCMA), to discuss the massive theft of workers' pension funds in the private security sector. These workers were and continue to be victims of illegal deductions from their salaries under the guise that they were being paid towards health, pension, and provident fund benefits.

At the time, 2 224 private security companies were implicated by the Financial Sector Conduct Authority (FSCA) in a report on companies that were in blatant violation of Section 13A of the Pension Funds Act. Alarming, these companies which have been blatantly stealing the hard-earned money of security guards, had by that time misappropriated R6 billion in workers' funds. Of more concern is that local government municipalities have been implicated by the FSCA in similar conduct, placing those who belong to the public service administration at severe risk.

In light of these concerns, and considering that there were serious issues of financial and fiduciary malpractice at the level of the private sector and government which were beyond the scope of the parties who met on the 22nd of February, the EFF wrote to the Minister of Finance Enoch Godongwana.

The letter implored him to conduct a comprehensive audit of all contracts between government departments, local government municipalities and private security companies, in order to ascertain their compliance with Section 13A of the Pension Funds Act and labour laws with regards to health and provident fund contributions.

Further to this, the EFF proposed a decisive course of action to the Minister of Finance which was that all non-compliant private security companies must be given a three-month period to repay workers monies into their respective pensions funds should these workers remain active within the sector. Alternatively, if the companies have ceased operations or the workers themselves have retired the repayment of stolen money must be paid to them directly. The EFF further proposed that should these companies fail to comply then Treasury, through the Minister of Finance, must cancel their contracts if they are contracted by government, State-Owned Enterprises or municipalities.

To date, during his tenure as Minister of Finance in the 6th Administration and now in the 7th Administration, Godongwana has ignored the EFF and failed to attend to the matter. It is important to note that Godongwana himself was once implicated in the theft of the pension monies of textile workers in 2011, to the tune of R93 million using a company known as Canyon Springs.

Using Canyon Springs, Godongwana's wife who was the director of the company, borrowed R93 million from Trilinear Capital which at the time managed the provident funds for the SA Clothing and Textiles Workers Union (SACTWU). This money was used to pay Godongwana's salary as Chairperson of the shell and debt-ridden company known as Canyon Springs. This loan was meant to be repaid but was not, leaving 20 000 workers without their hard-earned pensions.

It is perhaps for this reason that Godongwana is reluctant to fight for the repayment of stolen workers monies by private security companies and municipalities. Or even worse, his reluctance given his history of theft of pension fund money, indicates his complicity in the scandal.

To date, the EFF has received complaints implicating 246 private security companies in the theft of worker's pension funds, aside from the FSCA reports, and continues to be approached regarding the matter. As a result, on the 18th of April 2024, an EFF delegation

met with the FSCA, to get an in-depth briefing of the matter, which implicates companies and municipalities that have deducted money from workers for pension funds but have not paid that money to the Private Security Sector Provident Fund (PSSPF) for periods ranging up to 240 months.

The meeting with the FSCA revealed a deeper rot in the management of pension funds in South Africa, which involves corruption by pension fund administrators, asset managers and brokers who misuse and irresponsibly mis-invest workers monies in order to receive kickbacks that possibly trickle down to high-ranking members of South Africa's Treasury Department. These asset managers and pension fund administrators invest workers' money into external assets and commodities, and in some instances give loans to companies or individuals, with money sourced from the pension funds of workers.

Essentially, private security companies and municipalities deduct workers' monies for pension fund purposes, direct them to the pension fund administrators, who collaborate with asset managers to gamble with the money of security guards, leaving workers vulnerable when this gambling fails.

Unfortunately, the FSCA has been unable to execute its authority over companies involved in this scheme, because they source their compliance certificates in an illicit manner from the state, and in many instances are contracted by government. As an executive authority over financial irregularities in government, Godongwana is complicit.

The EFF will therefore, through motions and debates, introduce the matter in the Parliament of South Africa, since direct communication with Godongwana and Treasury has proven futile. We will further pursue the establishment of a Parliamentary Ad-Hoc Committee comprised of Members from finance, law enforcement, and labour, which will interrogate all relevant stakeholders on the theft of R6 Billion of pension funds of security guards by private security companies, municipalities, pension fund administrators and asset managers.

The money of workers must be repaid, and it must be repaid now!

**ISSUED BY THE ECONOMIC FREEDOM FIGHTERS**

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