

# SAP finds payments made to Gupta-linked entities, as well as mismanagement

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Global software company SAP's investigation into contracts with state-owned enterprises (SOEs) Transnet and Eskom has found that there were payments made to Gupta-related entities and that there were indications of mismanagement and irregularities.



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The mismanagement was in relation to the management of the Gupta-linked third parties and the irregularities were in the adherence to SAP's compliance processes, Adaire Fox-Martin the company's president of global customer operations Europe, the Middle East and Africa, parts of Europe and greater China said on Thursday.

"There is no evidence, however, of any payment or attempted payment made to any South African government official or any employee of an SOE in connection with Transnet and Eskom," she said.

SAP has been embroiled in the Gupta scandal along with other companies, such as consulting firm McKinsey and Trillian Capital Partners, which were all linked to Eskom contracts. An internal investigation into these matters was conducted by law firm Baker McKenzie on behalf of SAP.

A tranche of leaked Gupta e-mails showed not only how kickbacks were allegedly paid but also how the Guptas gained access to highly confidential draft contracts between SAP and Eskom. The SAP-Eskom contract was for an SAP management tool that tracks purchasing, invoicing and payment documents. The Guptas also managed to obtain a bid by SAP to provide commercial software for use in the South African public service.

There were also allegations that CAD House, which is owned by former president Jacob Zuma's son Duduzane, received multimillion-rand kickbacks for helping SAP secure contracts with Transnet.

Going through a summary of the report, Fox-Martin said on Thursday that SAP SA had concluded two contracts with Transnet and four with Eskom between December 2014 and June 2017, with Global Software Solutions (GSS) and CAD House acting as commissioned intermediaries.

One of the contracts involved "a commission" of 10% while the other five contracts involved a commission rate of 14.9%. This was just below the 15% threshold which would have triggered an SAP executive board review of the deals, Fox-Martin said.

She said the investigation also found no evidence that SAP had direct contact with any member of the Gupta family or that of the Zuma family. "The primary connection was with Gupta intermediary, Santosh Choubey, and the people who reported to him. Choubey became the principal for GSS and CAD House."

GSS became eligible to act as a sales commission agent in September 2014 when it became a value-added reseller, and CAD House was approved as a sales commission agent in August 2015. SAP had terminated the ability of value-added resellers, such as GSS, to act as sales commission agents in 2016.

Fox-Martin said SAP would not tolerate misconduct and wrongdoing and had instituted disciplinary proceedings against three senior executives, who were put on administrative leave in July last year and then suspended in October.

She said the executives have now resigned and have received no severance from SAP. SAP refused to divulge who the officials were.

*Source: BDpro*

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