

Stephen Van Coller reflects on EOH's week from hell "N"

IT SERVICES By Duncan McLeod 22 February 2019

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EOH Holdings CEO Stephen Van Coller

EOH CEO Stephen Van Coller sent a letter to employees, clients and shareholders on Friday, reflecting on what has been a week from hell for the JSE-listed IT services group. It was a week in which EOH lost more than 50% of its market value at one point as shareholders digested TechCentral's report, published on Monday evening, that the reason Microsoft had cancelled partnership agreements with it was related to an anonymous whistle-blower's complaint to the software giant's board and the US Securities and Exchange Commission alleging violations of the US Foreign Corrupt Practices Act.

It culminated with a major shake-up to the board of directors, including the resignation of EOH founder Asher Bohbot as chairman and a reconfiguration of its directorate to improve corporate governance.

The full letter from Van Coller is posted below.

Dear colleagues,

Hello again. What a week — a lot has happened.

South Africa is going through a real change. South Africans from all backgrounds are uniting against the 10 years of corruption that has halted progress in solving the

terrible social inequality in this country bought about by apartheid. As a proud South African, I seek to make a difference, as I outlined in my personal letter to stakeholders. It is for this reason I accepted the CEO position at EOH.

Board changes

During the past week, significant and symbolic change took place at the most senior level of EOH, the board. About a year ago, the board decided it required significant change to the organisation as EOH had grown very quickly in the prior three years and the systems were no longer relevant for a company that size. Given the allegations in the media, this was urgent — not only to save more than 11 500 jobs in South Africa, and another thousand outside of South Africa, but also because EOH is systemic to some 15 000 customers, and therefore GDP growth.

This was a bold move as it meant some senior executives would lose the roles they had held for some time, in the name of progress and to ensure compliance with King IV. Wednesday, 20 February 2019, was the end of a two-decade chapter. It is the pivotal, and final, piece in the new governance structure the board required, as the two founders (including the chairman) stepped down from the board after 20 years at the company. Never easy.

These board positions will need to be filled as soon as possible. EOH is relatively advanced with this process and confident of bringing fresh, independent members with a diverse skill set together to take EOH forward.

Ensuring our investigations have integrity

One of the key issues I am currently dealing with is ensuring the integrity of the investigation process. We need to be thorough — and this takes time. Making mistakes can ruin lives and families and rushing the process will allow those that need punishment to escape or benefit through technicalities.

I am absolutely committed to zero tolerance on bribery and corruption, but I humbly ask that we respect the process. Our legal system and constitution have saved South Africa from state capture — we need to respect it and trust these processes.

We are making progress. Following intense efforts on information that has been brought to our attention to date, we are focusing our efforts on less than six public-sector contracts deemed necessary for detailed review. Of these, ENSafrica has already concluded one investigation and is advanced with two other of these investigations. As part of the process, we have and will continue to take the necessary action and report our findings to the relevant authorities. Our investigation, together with ENSafrica, is just the start and does not necessarily permit full disclosure of findings.

With respect to getting more clarity on the allegations involving Microsoft, given the involvement of the US Securities and Exchange Commission, they are not able to share or confirm any details to us. However, we have agreed to manage any client and employee issues more collaboratively. The ball is in my court to make proposals on this. I will do so. Further, we have reiterated our commitment to assist Microsoft with any investigations, as appropriate.

Notwithstanding the very limited information from Microsoft, we have continued our investigation, allowing for engagement with implicated individuals. I have also now been made aware that there was a Microsoft audit initiated in September 2017 on public-sector licence deals that concluded around July 2018. We currently have ENSafrica reviewing all those documents.

A response to our customers

We highlight again that the allegations and investigations are isolated to a few people and largely in a public-sector business unit in EOH. The implicated division represents less than 12% of EOH's total turnover. We have either suspended or received resignations from involved employees, resulting in none of the employees currently implicated remaining in the business.

EOH continues to improve its financial controls that prevent ad hoc payments to individuals or companies, and we have already created a “blacklist” of companies no longer accepted by the group.

We are able to make available, as appropriate, the ongoing process of bid reviews including the screening process of enterprise development programmes. ENSafrica reviews between eight and 10 bids per week.

We have made significant progress on the various investigations. We have provided ENSafrica with the documentation and files to support its investigation, numerous interviews with related parties are under way, and the forensic accounting teams have started work investigating flows of funds and the role of third parties in public sector transactions.

Obviously, this process will take time, especially as ENSafrica will also be co-operating with the SIU as well as other law enforcement agencies and will continue pursuing perpetrators and ensure that justice can run its course.

I am committed to dealing with any findings, including prosecution. We will also continue to communicate with all stakeholders, but under the ambit of legal confidentiality and process.

We are reaching out to our partners and customers to ask them to allow the ENSafrica investigation to run its course, given our commitment to taking decisive action. Due legal process must take place and we can then revert with feedback on specific allegations, as permissible. We are appealing to you to allow us to continue to work with you and support you in the furthering of your business needs as we resolve this very endemic problem in our country in a sustainable and responsible manner.

Standing together as South Africans

The ExposeIT app has launched. This was done as a public service. It is a 100% anonymous app for smartphones monitored by an independent law firm. It can be downloaded free by individuals. EOH is the first customer. For a small monthly licence fee, any corporate can sign up and use it for whistleblowing. It has already yielded two internal potential frauds for us — so it is paying for itself. I would strongly encourage you all to implement ExposeIT and we can make it the go-to platform for exposing bribery and corruption in South Africa. Let's stand together and fight this!

What has been most gratifying is that several people have come forward to share knowledge on issues. In some cases, we have been given a lot of detail and ENSafrica is digging into it; on others, we have received indications of where we should look. To all those courageous, proud South Africans, I salute you.

Moreover, it is important we do not paint all 11 500 employees with the same brush as the minority who have abused their positions and the company. That would just play into the hands of the criminals. Cancelling contracts, when the business unit serving you is doing great work, really punishes innocent people and their families. Job losses cannot be afforded in South Africa right now.

Please join me against corruption and for job creation as South Africa works together to rid our country of this tumour of corruption that has set in. I can only promise to demonstrate zero tolerance for any corruption we find, whether past or future. Please hold me accountable. But I need all our stakeholders, shareholders, employees, customers and partners not to distance themselves when the going gets tough. As South Africans we need to stand united and not allow the criminals to divide and conquer — as then we have all lost.

I look forward to engaging all of you in the future. Please do not hesitate to contact me directly should you require any assistance on any matter.

Warm regards,
Stephen Van Coller

