

SUID-AFRIKAANSE POLISIEDIENS



SOUTH AFRICAN POLICE SERVICE

Privaatsak/Private Bag
Posbus/Post Office Box 1965 DURBAN

Verwysing Durban Central CAS 781/06/2011
Reference

Navrae
Enquiries Colonel J van Loggerenberg.

Telefoon
Telephone 031-334-5053
Faksnommer 031-3254336
Fax number

**DIRECTORATE FOR PRIORITY
CRIME INVESTIGATION
DURBAN
KWA ZULU-NATAL**

2010-08-17

- still not
appointed

**THE DEPUTY PROVINCIAL COMMISSIONER
DIRECTORATE FOR PRIORITY CRIME INVESTIGATION.
KWAZULU-NATAL**

**EXPENDITURE IN CONNECTION WITH THE INVESTIGATION OF CRIME:
APPLICATION FOR THE APPOINTMENT OF FORENSIC CHARTERED
ACCOUNTANTS: THE STARE VERSUS THOSHAN PANDAY AND FIVE
OTHERS.**

1. Attached you find an application for your commendation and to forward to the Deputy National Commissioner, National Head of the DPCI.
2. The facts of the application are as follows:
 - 2.1 The matter refers to the investigation of the following alleged offences:
 - Racketeering in terms of the Prevention of Organised Crime Act
 - Fraud
 - Corruption
 - Theft
 - Money Laundering in terms of the Prevention of Organised Crime Act.
 - 2.2 The investigations thus far have revealed the alleged participation in illegal activities by the following identified individuals *inter alia*; namely:

- 2.3 **Colonel Navin Madhoe** (hereinafter referred to as Col. Madhoe), a member of the South African Police Services, who is the Section Head: Acquisition Management attached to the Supply Chain Management: Kwazulu Natal, which is situated at the Provincial Head Office, Kwazulu Natal of the South African Police Services (hereafter referred to as SAPS).
- 2.4 **Captain Aswin Narainpershad** (hereinafter referred to Capt. Narainpershad) a member of the South African Police Services serves under the direct command of Col. Madhoe at the office of Supply Chain Management.
- 2.5 **Thoshan Panday** a private individual whose involvement is described hereunder.
- 2.6 **J Ramundlall** a private individual whose involvement is described hereunder.
- 2.7 **Arvenda Panday, the mother** of Thoshan Panday a private individual whose involvement is described hereunder.
- 2.8 **Privisha Summurjeeth, the wife** of Thoshan Panday a private individual whose involvement is described hereunder.
- 2.9 **Seevesh Ishwarkumar the brother in law** a private individual whose involvement is described hereunder.
- 2.10 Thoshan Panday is the active member of and /or linked to the following companies, namely **Goldcoast Trading CC** (hereinafter referred to as Goldcoast) Goldcoast is registered as a supplier on the SAPS data base with supplier number **H4W3W**.
- 2.11 **Unite Mzansi Trading and Projects CC** (hereinafter referred to as Unite Mzansi). This company is also registered as supplier on the SAPS data

base with supplier number **H69VX**. The sole active member is Thoshan Panday.

2.12 **Bravosat 25 CC** (hereinafter referred to as Bravosat). This company is registered as a supplier on the SAPS data base with supplier number **H54PT**. The sole active member of this close corporation is **Arvenda Panday**.

2.13 **Valotone 21 CC** (hereinafter referred to as Valotone). This company is registered as a supplier on the SAPS data base with supplier number **H54TV**. The sole active member of this close corporation is **Privisha Summurjeeth**.

2.14 **J Ramundlall** is believed to be the director of or linked to the following company: **Pendleburys Guest Suites and Resorts (Pty) Ltd** (hereinafter referred to as Pendleburys). This company is registered as a supplier on the SAPS data base with supplier number **HG4BK**.

2.15 Seevesh Ishwarkumar is the active member of the following close corporation: **Kaseev Traders CC** (hereinafter referred to as Kaseev). This company is registered as a supplier on the SAPS data base with supplier number **H7VJP**. The sole active member of this close corporation is **Seevesh Ishwarkumar**.

3. From our investigations the following is apparent in respect of acquiring accommodation (the full and correct process is mentioned in paragraph 3 infra) for deployment and for the world cup 2010:

3.1 Col. Madhoe manipulated the acquisition of accommodation for SAPS Operational Response Services (hereafter referred to as ORS) deployments by advising staff at ORS offices that it was the function of SCM to acquire accommodation for all members on detachment duties.

- 3.2 In terms of Treasury Regulations the ORS is responsible to acquire three quotations and submit same to SCM for a procurement authority (PA). In terms of standing instructions, when a PA is obtained the documents are forwarded to the finance office for Financial Authority (FA). After an FA is obtained it is then the responsibility of GPA to prepare an order note which is then returned to ORS with the selected service provider.
- 3.3 The order note is then faxed to the selected accommodation service provider, being the bed and breakfast establishment or the hotel where the SAPS members are to be accommodated. The service provider then submits an invoice for payment, which is taken to the finance office for processing (the full and correct process is mentioned in paragraph 5 infra).
- 3.4 This was not observed in the present matter. As a result of Col. Madhoe's advising ORS incorrectly, Capt. Narainpershad would receive a request from the ORS for the acquisition of accommodation for NIU members.
- 3.5 He would then obtain a single quotation from Goldcoast, contrary to departmental regulations, and would request authorisation from Col. Madhoe who is the Section Head of Acquisition Management.
- 3.6 Capt. Narainpershad would provide a motivation to Col. Madhoe why it was an urgent matter, and would state that he needed immediate approval. Although Treasury Regulations formulated in terms of the PFMA, Act 1 of 1999 require that three quotations within certain threshold amounts are necessary for the acquisition of goods, works or services, general conditions exist in terms of the said regulations for the acceptance of one quotation in urgent or emergency cases.
- 3.7 Capt. Narainpershad would use this process and only obtain a single quotation from Goldcoast, even though no real emergency existed. Col. Madhoe would then approve it, despite the fact he was below the rank of Brigadier, and not authorised to do so. They would thus ensure that

Goldcoast was used to acquire the accommodation for the NIU members reporting for detachment duties throughout the KZN Province.

3.8 There are reasonable grounds to believe that they have acted in this fashion on many occasions with regard to the acquisition of accommodation services.

3.9 Where the total cost of accommodation for a certain call up period of time exceeded R200 000.00, all three suspects acted in concert to have the claim split, so as to avoid having to refer the claim to Pretoria for approval. This was achieved by two order forms being completed for one case, and two invoices supplied by Goldcoast. An example of the splitting of invoices can be seen in the Tozer's matter.

3.10 Capt Narainpershad was definitely aware that payments to service providers for amounts exceeding R200 000.00 could not be authorised at provincial level. This is evident from the fact that he had never applied for authorisation from Col. Madhoe exceeding R 200 000.00.

3.11 We have also found evidence that Golscoast inflated the number of members on invoices submitted for payment.

4. From our investigations the following is apparent in respect of procuring equipment/goods and expendable items:

4.1 All the close corporations above were used to acquire equipment and expendables for the SAP.

4.2 At the time of procuring equipment/goods it was never places on the PAS system (government asset register).

4.3 The SAP were charged up to four hundred percent and more above the actual purchase price of equipment/goods supplied by the close corporations.

5. **MANDATE:**

The forensic auditors must be prepared to perform the following functions in respect of the mentioned companies above:

It is important to note that the procurement process of the SAP is embodied in the generally accepted accounting practices of the triple E (Economic, Efficient and Effective) of the Public Finance Management Act 1/99 as amended 29/99, the Guidelines for Accounting Officers as issued in 2000, the Treasury Regulations and the Procurement Policy Frameworks of Government.

- 5.1 In the SAP there are delegations in place within the Supply Chain environment as to the procuring of goods and services where thresholds are placed on the procuring of goods and services in terms of contracts and in terms of quotations.
- 5.2 In order to investigate the accounting processes followed it would be crucial to obtain the SAP Policy documents in order to determine:
- The level of delegation to the Provincial Office on procurement.
 - Accepted deviation from such delegation.
 - The SAP policy on contracts versus quotation.
 - Accepted deviation from such policy.
- 5.3 The process which is the norm in terms of procuring of services is the following and should be analyzed accordingly in chronological order (items/ registers/ forms to be taken possession of and analyzed is in bold):
- The end user identifies a need. An example of this is a detachment of members to a flash point area in order to stabilize the area.
 - A **Call up Instruction** is completed for this purpose by the end user. This is normally done by Operational Response Services (ORS).
 - The **Call up Instruction** is then forwarded to Supply Chain Management (SCM) who will supply the end user with a list of companies to be approached for quotations in terms of the rotation of the **SAP Data Base of Registered Suppliers**. It is relevant to note

here that a deviation of the rotation of the data base is only allowed in emergency and not on a continuous basis as this would be a transgression of Government and subsequent SAP Policies on the fair and equitable distribution of the budget expenditure to all registered suppliers.

- Once the **written quotations** are obtained **procurement authority** is signed by the SCM authorized officer and a **financial authority (FA)** on Polfin is granted.
- Polfin function **#M.4.6** should be utilized to view the amount requested, the specific need, i.e. 10 members deployed to Pongola for 14 days, and who gave procurement authority)
- The SCM official authorized to issue order forms will then issue a **Z492 order form (manual document)** and capture it on Polfin.
- The **Z492 order form** is linked on Polfin to a specific supplier and this information is endorsed on the **Z492**, detailing the amount, FA number, service requested and supplier details. All this needs to link up on Polfin (**traced on #function 4.4.2**).
- After the supplier has rendered the service he/she supplies an **invoice** to SCM for payment.
- The **Oder form** and relevant **invoice** is then captured on Polfin on a **schedule** for payment by SCM.
- The **Schedule**, together with the **order form** and **invoice** is forwarded to the finance office where it is marked for payment. (It is again relevant to note that the **written quotations and procurement authority form**) is retained in the **Z492 order form book**.
- For each transaction an audit trail on Polfin should be done by the analyzing official as this trail will lead from the creating of the FA on Polfin to the payment for the service
 - **Polfin #4.4.2 audit trail will reflect the following**
 - Financial official capturing the FA
 - SCM official capturing the order form
 - SCM official scheduling for payment
 - Financial official authorizing payment to supplier

Supplier details (the banking details can be viewed on Polfin #E.4.3)

FA number and motivation for service

Order number and invoice number

Payment schedule number

Confirmation of payment into the supplier's bank account.

5.4 Once this investigation on the SAP main frame is completed, the payment number indicated on Polfin, indicating payment to the supplier which will appear on the bank statement of the supplier is evidential proof of payment to such supplier.

5.5 The bank statement account number will be the same as that on Polfin function #E.4.3.

5.6 The process which is the norm in terms of procuring of goods is the following and should be analyzed accordingly in chronological order (items/ registers/ forms to be taken possession of and analyzed is in **bold**:

- The end user identifies a need. An example of this is an item which is deemed to be part of equipment (durable item) such as a GPS (Garmin). There is a clear distinction between such an item and an expendable item such as pens, paper, etc. The GPS would have to be accounted for on the Polfin (SAP payment system) and the Government Property Account (PAS system which is the SAP computerized system for taking onto strength any items purchased of current and future value, i.e. equipment), whilst the expendable items are only accounted for on Polfin.
- A **needs requisition form** is completed for this purpose by the end user.
- The **needs requisition** is then forwarded to Supply Chain Management (SCM) who will (1) render a procurement service where there is a fixed contract in place, which does not relate to this

investigation or (2) supply the end user with a list of companies to be approached for quotations in terms of the rotation of the **SAP Data Base of Registered Suppliers**. It is relevant to note here that a deviation of the rotation of the data base is only allowed in emergency and not on a continuous basis as this would be a transgression of Government and subsequent SAP Policies on the fair and equitable distribution of the budget expenditure to all registered suppliers.

- Once the **written quotations** are obtained **procurement authority** is signed by the SCM authorized officer and a **financial authority (FA)** on Polfin is granted.
- Polfin function **#M.4.6** should be utilized to view the amount requested, the specific need, i.e. 10 Garmins and who gave procurement authority)
- The SCM official authorized to issue order forms will then issue a **Z492 order form (manual document)** and capture it on Polfin.
- The **Z492 order form** is linked on Polfin to a specific supplier and this information is endorsed on the **Z492**, detailing the amount, FA number, goods requested (i.e Garmin) and supplier details. All this needs to link up on Polfin (**traced on #function 4.4.2**). An ICN number (item description) is also captured on Polfin for eventual linkage with PAS. This can also be viewed on the same function.
- Once the supplier delivers the Garmin, the item is linked between Polfin and PAS. For this purpose the SCM official needs to use the information supplied on the **invoice** issued by the supplier in order to capture the serial number in the case of serialized items or the description in the case of non-serialized items.
- On PAS, 3 records should be used to verify that the purchased item has been accounted for. **Printouts on #functions 2.8.1** (links the order form number with the supplier number, date of purchase, amount and ICN number), **3.4.1** (links the ICN number with the item and the distribution to the end user) and **7.9.9** (links the item with the unique serial number of the Garmin).

- The **Order form** and relevant **invoice** is then captured on Polfin on a **schedule** for payment by SCM.
- The **Schedule**, together with the **order form** and **invoice** is forwarded to the finance office where it is marked for payment. (It is relevant to note that the **written quotations and procurement authority form**) is retained in the **Z492 order form book**.
- For each transaction an audit trail on Polfin and PAS should be done by the analyzing official as this trail will lead from the creating of the FA on Polfin to the payment for the item to the accounting thereof on PAS.
 - **Polfin #4.4.2 audit trail will reflect the following**
 - Financial official capturing the FA
 - SCM official capturing the order form
 - SCM official scheduling for payment
 - Financial official authorizing payment to supplier
 - Supplier details (the banking details can be viewed on Polfin #E.4.3)
 - ICN code of the item
 - FA number and motivation for purchase
 - Order number and invoice number
 - Payment schedule number
 - Confirmation of payment into the supplier's bank account.
 - **PAS #2.8.1** will link the order form with the item and the supplier, **#3.4.1** will reconcile the item with the ICN code and distribution thereof and **#7.9.9** will identify the purchased item with its serial number.

5.7 Compilation of detailed bank reconciliation of all the entities and individual role players with effect from 1st October 2009 or date of incorporation, whichever is first and until 30th September 2010 to establish the following.

5.8 Identify all payments from the SAP and all other sources of funds received.

- 5.9 Identify all payment for accommodation (hotels, lodges B&B's etc).
- 5.10 Identify all payments for goods (assets) including expendable items.
- 5.11 Identify all payments for vehicle hire.
- 5.12 Identify all payments to airline carriers.
- 5.13 Identify all the bank accounts wherein funds were transferred from and to companies and the role players.
- 5.14 Identify all cash cheques and cash withdrawals.
- 5.15 Identify all payments for investments and insurance policies.
- 5.16 Identify payments to accounts not listed.
- 5.17 Identify all loans received and repayments of loans.
- 5.18 Identify all foreign exchange transactions.
- 5.19 Identify all transactions where payments were made to SAP members.
- 5.20. The abovementioned companies were used by Supply Chain Management to facilitate the accommodation for SAP members on detached duties (volatile areas in Kwazulu-Natal) and to accommodate SAP members for the World Cup 2010 special duties in Kwazulu-Natal.
- 5.21 Ascertain from all the exhibits seized the following:
- 5.22 Identify all call up instructions per detachment and Soccer World Cup special duties.

- 5.33 Link all internal authorities (signed authorizations) per detachment/special duties to the specific call up instructions.
- 5.34 With the assistance of the SAP, link the financial authority and motivation supplied on Polfin with the Z492 (order) form for all accommodation.
- 5.35 Identify all invoices presented to the SAP for payment in each deployment/special duties.
- 5.36 Link each Z492 (order form) with the matching invoice for accommodation.
- 5.37 Compare the number of members for each call up instruction and matching Z492 to the number of members on the matching paid invoice per deployment/special duties.
- 5.39 Identify the cost per member on each invoice per deployment/special duties.
- 5.40 Ascertain with the assistance from the SAP the difference of the actual cost charged by the entity supplying the accommodation and the cost charges to the SAP by the companies mentioned above.
- 5.41 Ascertain with the assistance from the SAP if any false invoices for accommodation were submitted for payment.
- 5.42 The abovementioned companies were used by Supply Chain Management to purchase goods and expendables required by the SAP for the World Cup 2010 in Kwazulu-Natal.
- 5.43 Ascertain from all the exhibits seized the following:
- 5.44 Identify with the assistance from the SAP all goods and expendables purchased by the companies for the SWC 2010.

- 5.45 Ascertain with the assistance from the SAP if all goods and expendables purchased by the companies were delivered to the SAP.
- 5.46 Identify the entities where the goods and expendables were purchased from by the companies mentioned above.
- 5.47 Ascertain with the assistance from the SAP if all goods received from the companies mentioned above were recorded on the PAS system (asset register) in relation to the SAP policy for procurement of assets.
- 5.48 Ascertain with the assistance from the SAP the difference between the actual cost price of the goods purchased from the different entities (where the goods were purchased from) and the price paid by the SAP for the goods.
- 5.49 Analyze phone records and prepare link chart for court purposes.
- 5.50 The SAP investigation team will be responsible to obtain all outstanding affidavits.
- 5.51 The SAP investigation team will be responsible to obtain and serve Sec 205 of the CPA Act where necessary.
- 5.52 Compile a comprehensive forensic report on your factual findings.
- 5.53 Prepare exhibit files for the forensic report.
- 5.54 Copying of all exhibit files and forensic report for the docket going to trial (four copies).
- 5.55 Assist the Prosecution in preparation for trial and during trial.
- 5.56 The accountant must complete his report timeously.
- 5.57 The accountant shall on request supply the South African Police with interim reports.

5.58 The Provincial Commander of the Commercial Branch has the discretion to stop the accountant with his investigation at any time and can request the accountant to supply him with a forensic report with his findings up to that stage.

5.59 All the consultations with any other party except the South African Police shall be facilitated by the project manager.

5.60 All reports and information must be dealt with on a strictly confidential basis and shall only be provided to the South African Police.

6 The role players in the scheme were:

- Colonel Navin Madhoe
- Captain Aswin Narainpershad
- Thoshan Panday
- J Ramundlall
- Arvenda Panday
- Privisha Summurjeeth
- Seevesh Ishwarkumar

6.1 Institutions and/or persona involved

- Goldcoast Trading CC
- Unite Mzansi Trading and Projects CC
- Bravosat 25 CC

➤ Valotone 21 CC

➤ Pendleburys Guest Suites and Resorts (Pty) Ltd

➤ Kaseev Traders CC

7 The particulars of the project manager is as follows

Colonel J van Loggerenberg

Directorate of Priority Crime Investigation

P O Box 1965

Durban 4000

8 The inventory of the documentary exhibits presently in possession of the South African Police is as follows:

➤ GOLDCOAST TRADING: 303 THE QUARTZ

➤ Hard cover books: 29

➤ Lever arch files: 5

➤ Folders with documents: 163

➤ Exhibit bags with loose documents: 4

➤ BRAVOSAT 25 cc UNIT 10 RIDGETON TOWERS

➤ Lever arch files: 3

➤ 1 GUMTREE CRESCENT MOUNT EDGECOM

➤ Lever arch files: 3

➤ Folders with documents: 3

➤ Exhibit bags with loose documents: 1

➤ PENDELBURYS

➤ Lever arch files: 19

➤ 25 SHEPTONE PLACE SOMMERSET PARK

➤ Hard cover books: 1

➤ Lever arch files: 2

➤ Folders with documents: 81

➤ SAP PROVINCIAL HEAD OFFICE COL. MADHOE'S OFFICE

➤ Hard cover books: 3

➤ Folders with documents: 5

➤ Exhibit bags with loose documents: 1

➤ SAP PROVINCIAL HEAD OFFICE ROOM 501

➤ Hard cover books: 2

➤ Folders with documents: 3

➤ Exhibit bags with loose documents: 1

➤ Writing pad: 1

➤ SAP PROVINCIAL HEAD OFFICE SCM

➤ Z492 Register: 15

- Folders with documents: 17
- Exhibit bags with loose documents: 4
- **SAP PROVINCIAL HEAD OFFICE ROOM 522**
- Folders with documents: 1
- **SAP PROVINCIAL HEAD OFFICE ROOM 514**
- Exhibit bags with loose documents: 5
- **FINANCE**
- Lever arch files: 12
- Folders with documents: 20
- **14 BLENHEIM COURT**
- Exhibit bags with loose documents: 2
- **529 ALDROVANDE PALACE**
- Exhibit bags with loose documents: 1
- **Phone records**
- Electronic format (CD'S) 4