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## **EXHIBIT RR 4**

**TREVOR SEAN  
WHITE**



**JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,  
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE**

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**AFFIDAVIT**

I the undersigned,

**TREVOR SEAN WHITE**

do hereby state under oath:

1.

I am an adult male South African citizen and a director of PricewaterhouseCoopers Incorporated (PwC), 4 Lisbon Lane, Waterfall City, Jukskei View, South Africa with telephone number +27 (31) 2712020.

2.

All facts stated herein are, unless the context indicates otherwise, within my personal knowledge and are to the best of my belief both true and correct.

3.

I joined Price Waterhouse in 1989, and was admitted as a director of PwC on 1 July 1998, following the merger of Price Waterhouse and Coopers & Lybrand. I am presently, and have been since July 1998, a director in the Forensic Services Department of PwC.



4.

I have conducted numerous fraud investigations for both public and private sector clients since 1996 and have testified as an expert in the South African High and Regional Courts and the Lesotho High Court on numerous occasions. The vast majority of the cases I have testified in relate to criminal proceedings. I have also presented evidence to a Commission of Enquiry, the Commission for Conciliation, Mediation and Arbitration and at various disciplinary hearings.

5.

I am trained in auditing techniques and hold a Bachelor of Commerce degree (1987) and Post Graduate Diploma in Accountancy (1989) from the former University of Natal Durban. I was also admitted as a member of the South African Institute of Chartered Accountants in 1992. I am a Certified Fraud Examiner, being admitted as a full member of the Association of Certified Fraud Examiners, a Texas based organisation, in 1998. My specialist field is Forensic Auditing and as such I have extensive experience in analysing, reviewing and verifying financial information. I have also chaired three investigative Commissions of Enquiry into Fraud and Corruption in Swaziland.

6.

I am duly authorised to attest to the contents of this affidavit by PwC.



7.

I was served with a "SUMMONS TO: APPEAR AS A WITNESS/ PRODUCE BOOKS, DOCUMENTS AND/OR OBJECTS, Tracking reference: SPS18/0181/LG" at these proceedings by the Sheriff for Inanda District Two on 22 November 2019.

8.


The summons was issued in terms of section 3(2) of the Commissions Act 8 of 1947, read with:

- i. Proclamation 3 published in Government Gazette No. 41403 on 25 January 2018;
- ii. Government Notice No.105 published in Government Gazette No. 41436 on 9 February 2018 (as amended); and
- iii. Rules of the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State published in Government Gazette No. 41774 on 16 July 2018.

9.

The summons directed me to:

- i. *"produce an affidavit as listed in the attached letter of request, together with a copy of your forensic report into:*
  - a. *Allegations against Mr Toshan Panday and others in respect of Durban Central CAS 781/06/2010;*



- b. *Allegations against former Members of the Executive Council ("MEC")  
Peggy Nkonyeni, Michael Mbuyakhulu and others in the Gaston Savoi  
Intaka matter (Durban Central GAS 1538/01/2009)."*

10.

There are two district matters that I am required to provide copies of my reports and cover in this affidavit. The first that I will cover is that relating to *"Allegations against Mr Toshan Panday and others in respect of Durban Central CAS 781/06/2010"* which I will refer to as the "Panday matter".

11.

Secondly, I will deal with the *"Allegations against former Members of the Executive Council Peggy Nkonyeni, Michael Mbuyakhulu and others in the Gaston Savoi Intaka matter"* which I will refer to as the "Intaka matter".

12.

#### **PANDAY MATTER**

PwC was appointed by the South African Police Services ("SAPS") on 25 January 2012 to undertake a forensic investigation into suspected procurement fraud and corruption within their Supply Chain Management ("SCM") Division regarding various payments made to Mr Toshan Panday ("Mr Panday") or any of his related companies and to prepare a forensic accounting report required for purposes of criminal prosecution in Durban Central CAS 781/06/2010.

13.

Before dealing with the issues that arose and the decision of the NPA not to prosecute any of the suspects in this matter, I will briefly set out some background to the facts and my summary of findings, which are more fully set out in my report dated 24 November 2014 (Annexure TSW1). The annexures to this report comprise 20 lever-arch files are not attached, but have been provided to the Commission.

14.

This was an investigation into payments by the SAPS into entities related to Mr Panday for services ranging from accommodation to equipment, during the period November 2009 to August 2010, for use while providing policing services relating to the 2010 Soccer World Cup. The contracts awarded to Mr Panday's entities were made without following proper procurement procedures in that responsible officials in the SAPS failed to call for competitive quotes as required in terms of the SCM policy. These goods and services were then supplied at inflated prices and in some instances, were not supplied at all, to the prejudice of the State.

15.

During the period November 2009 to May 2010, payments were made to various police officials who were involved in the procurement process, or in the instance of the KZN Provincial Commissioner of Police Lieutenant General Ngobeni, could provide protection should these procurement irregularities ever be queried.

16.

There were twelve suspects in this matter who were the following:

- i. Mr Panday;
- ii. Colonel Navin Madhoe;
- iii. Captain Ashwin Narainpershad;
- iv. Lieutenant General Ngobeni;
- v. Major General RS Pillay;
- vi. Ms Privisha Panday (nee Summerjeeth);
- vii. Ms Avendra Panday;
- viii. GoldCoast Trading CC ("**Goldcoast Trading**");
- ix. Unite Msanzi Trading and Projects CC ("**Unite Msanzi Trading**");
- x. Valotone 21 CC;
- xi. Bravosat 25 CC;
- xii. Kaseev Traders CC.

17.

The relationship between the above listed persons and entities and their role in the illegal activities is as follows:

- i. Mr Panday was the sole member of Goldcoast Trading from 2 June 2006, the sole member of Unite Msanzi Trading from 12 January 2010, the sole member of Bravosat 25 from 9 November 2009 (previously owned by Ms Arvenda Panday who is Mr Panday's mother), the sole member of Valotone 21 from 9 November 2009 (previously owned by Ms Privisha Panday; Mr Panday's wife).

- ii. Kaseev Traders was owned by Mr Seevesh Ishwarkumar, who is married to Mr Pandey's sister, Ms Kajal Pandey.

18.

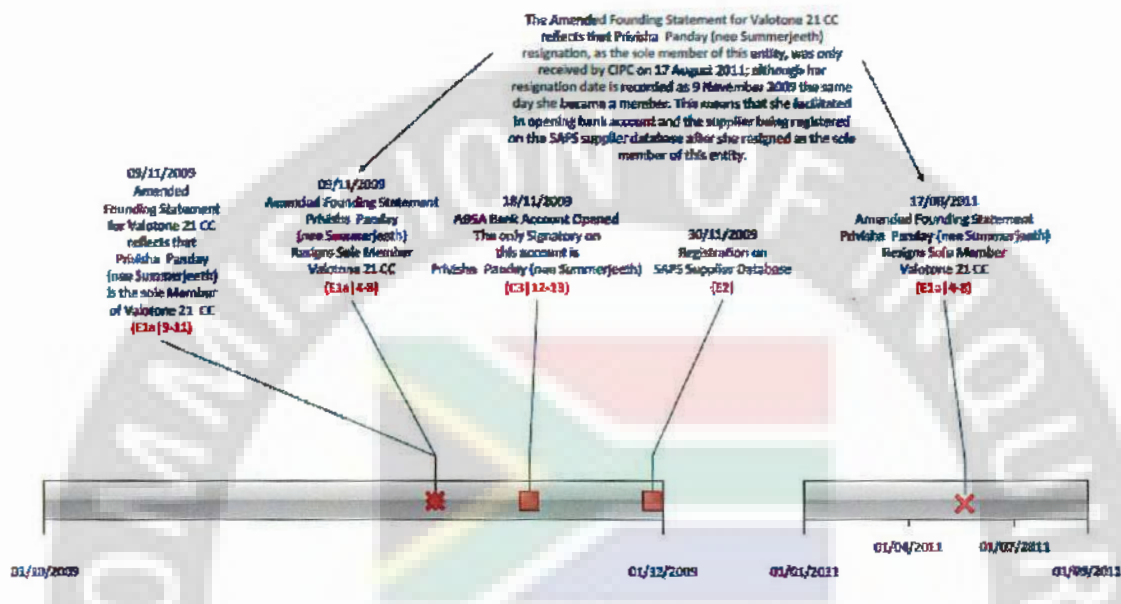
The high-level findings in my report as far as they deal with the relationship between the entities controlled by Mr Pandey can be summarised as follows:

1. *"The Bank accounts in respect of four of the five (5) entities have different signatories on the accounts all of which are related to Pandey in some way. These persons, despite the statutory information indicating that they resigned as members of these entities, are still the signatory on the bank accounts.*
2. *I have also determined, from the examination of all the documents, that when these entities were registered on the police supplier's database, the initial members had already resigned their membership and therefore, no longer had an interest in any of the entities yet their particulars were provided to the Police when registration of the supplier took place on the suppliers database.*
3. *For example, Privisha Summerjeeth resigned as a member of Valotone 21 CC on 9 November 2009 however, the records of the SAPS indicate that when this entity was registered on their supplier database on 30 November 2009, her particulars were provided to the police together with all the supporting registration documents instead of Pandey's since he obtained a 100% interest in this entity on the same day. I can also conclude that, despite the fact that she resigned as a member of this entity, the bank account for Valotone 21 CC, in respect of ABSA account number 4075017618 reflect that she is the only signatory on the account, which account was opened by her on 18 November 2009 after she*



resigned as a member of Bravosat 25 CC. A timeline of these events is illustrated hereunder:

### Timeline of Events relating to Valotone 21 CC



An enlarged copy of this timeline is attached hereto as **Annexure TSW 25**.

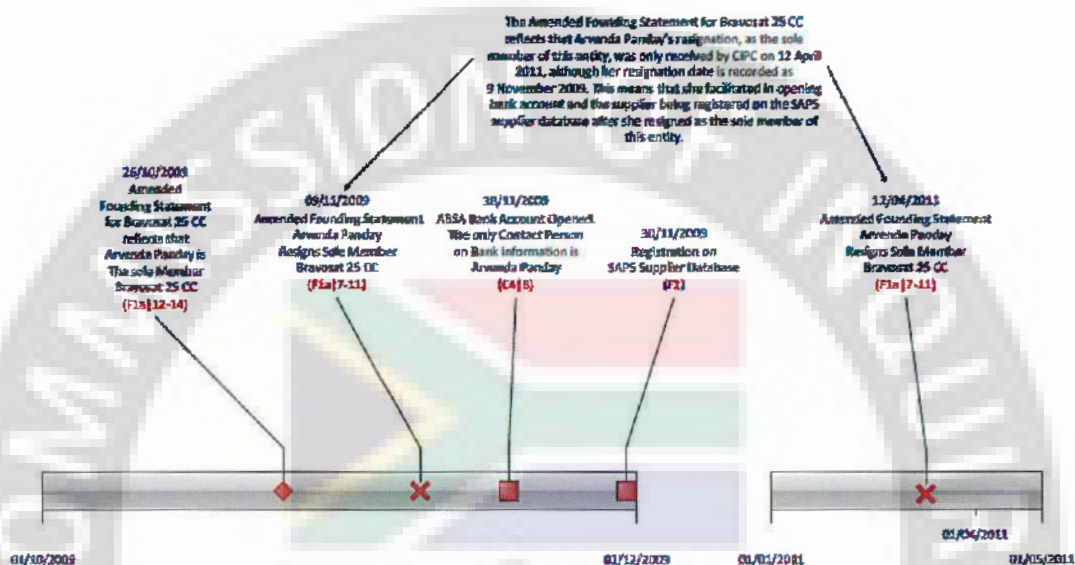
4. The only reasonable inference to be drawn from the fact that her particulars were provided to the SAPS when registering as a supplier on their database is because Panday did not want anyone to identify his relationship with this entity when submitting quotations for services to be provided. The reasons for this behavior will also become apparent later in my report when I discuss the fact that the entities associated to Panday quoted against one another and that they used one bank account for the purposes of their business transactions.
5. A second example of the aforementioned modus operandi occurred in the Bravosat 25 CC matter where the details of Arvenda Panday was used in registering the supplier on the SAPS database on 30 November 2009 although

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she resigned as a member of this entity on 9 November 2009 and Panday obtained 100% interest in this entity on the same day. A timeline of these events is illustrated hereunder:

#### Timeline of Events relating to Bravosat 25 CC



An enlarged copy of this timeline is attached hereto as **Annexure TSW 26**.

19.

During my investigation I identified numerous instances where entities controlled by Mr Panday purportedly quoted against each other for the supply of the same goods and services with no independent third party quoting in competition to them. Examples of the Procurement Authority Submissions, found in the SAPS records, where the following entities, Unite Mzansi Trading, Valotone 21 or Kaseev Traders, quoted against one another (**Annexure TSW 1 page 158**), are reflected in the table below:



No	Date	Goods Required	Kaseev Traders	Unite Mzansi	Valotone	Company Approved	Document Ref No	Order No <sup>1</sup>
1	06/05/2010	DIGITAL CAMERA (2)	37,000.00	38,500.00	39,500.00	Kaseev Traders	13081	AD341780
2	05/05/2010	SLEEPING BAGS	44,480.00	45,380.00	47,240.00	Kaseev Traders	13084	AD341778
3	06/05/2010	FLOOD LIGHTS	125,000.00	136,250.00	146,750.00	Kaseev Traders	13101	AD341785
4	06/05/2010	FLOOD LIGHTS	126,000.00	136,260.00	146,750.00	Kaseev Traders	13103	AD341781
5	06/05/2010	NOTICE BOARDS (18)	68,638.40	78,184.00	79,524.00	Kaseev Traders	13139	AD341778
6	06/05/2010	SUN SCREEN HIGHEST SPF	57,600.00	48,000.00	54,800.00	Unite Mzansi	13108	AD341775
7	05/05/2010	SAND BAGS	197,000.00	195,000.00	189,500.00	Unite Mzansi	13109	AD341774
8	05/05/2010	RATION PACK	165,000.00	142,500.00	177,500.00	Unite Mzansi	13112	AD341773
9	06/05/2010	GARMIN NUVI 1410 GPS	78,600.00	78,000.00	78,900.00	Unite Mzansi	13115	AD341776
10	06/05/2010	RATION PACK	165,000.00	142,600.00	177,600.00	Unite Mzansi	13131	AD341777
11	06/05/2010	ENDO SCOPE (4)	100,000.00	97,200.00	92,000.00	Valotone 21 CC	13028	AD341782
12	06/05/2010	MULTI MEDIA PROJECTORS	46,200.00	47,580.00	44,600.00	Valotone 21 CC	13088	AD341780
13	06/05/2010	BELLY SCOPE (12)	48,580.00	46,200.00	42,060.00	Valotone 21 CC	13093	AD341781
14	06/05/2010	ANGLE IRON	53,780.00	50,480.00	47,040.00	Valotone 21 CC	13097	AD341788
15	06/05/2010	BEDS CAMPFOLDING (40)	100,000.00	83,920.00	85,500.00	Valotone 21 CC	13116	AD341784
16	06/06/2010	VENTER TRAILERS	98,700.00	93,000.00	89,100.00	Valotone 21 CC	13122	AD341785
17	06/05/2010	BEDS TORCH BATTERIES (2100)	137,560.00	149,000.00	143,425.00	Valotone 21 CC	13123	AD341786
18	06/05/2010	SPOT LIGHTS (60)	44,762.00	43,835.00	40,812.50	Valotone 21 CC	13128	AD341787
19	06/05/2010	RANGE FINDER X2	60,000.00	56,880.00	52,700.00	Valotone 21 CC	13133	AD341782
20	06/06/2010	BEDS HASSAIN SACKS (1500M)	83,250.00	78,500.00	76,000.00	Valotone 21 CC	13142	AD341789
21	06/06/2010	HANDHELD SCANNERS	95,936.00	98,400.00	99,840.00	Valotone 21 CC	13145	AD341793
22	06/06/2010	HANDHELD SCANNERS	95,936.00	98,400.00	99,840.00	Valotone 21 CC	13148	AD341794
23	06/06/2010	RANGE FINDER X2	60,000.00	56,880.00	52,700.00	Valotone 21 CC	13154	AD341783

<sup>1</sup> I have reconciled each of the twenty three (23) procurement authority submissions to order numbers issued to each of Panday's related entities which order numbers are recorded in this column.

20.

An example referred to in my report (Annexure TSW 1 pages 124 - 147) where Mr Panday's entities kept a record of the cover quoting was included amongst the exhibits provided to me for further analysis. This was a Waltons Counter Book marked as "Tasleem Rahiman Record Book" (Document No's 19026 to 19238), which book was seized from the premises of Goldcoast Trading and filed in SAPS exhibit bag number 6798.

21.

The aforementioned book contains, *inter alia*, a daily account of the duties and tasks performed by Tasleem Rahiman (who I understand is the secretary or personnel assistant to Mr Panday) for the period 17 December 2009 (Document No. 19102) to 28 April 2010 (Document No. 19235). It is clear from the entries in this book that it was prepared by a person who is a personal assistant to Mr Panday.

22.

My examination of this record book indicated that Tasleem Rahiman was performing duties for Goldcoast Trading, Valotone 21CC, Bravosat 25CC and Unite Mzansi. Examples of some entries where Tasleem Rahiman has recorded the fact that she was preparing cover quotes on the instruction of Mr Panday are set out below:

**Record 9**

1. Then the person requested a breakdown for the 3 different companies as to who won the last invoice and what was the unit price.

GOLD COAST CC	Won	Price Per Unit
NOTHING		
Valotone 21 CC	Won	Price Per Unit
1. Knee & Elbow pads	R 41,700.00	R695.00
2. Bottle Jackets	R147,000.00	R2450.00
3. Tactical gloves	R29,700.00	R495.00

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## Record 10

019120

Braodcast 25cc	Won	Price Per Unit
1. Slings	R51,000-00 (60)	R 850-00
2. Jumpcuits	R144,000-00 (60)	R2400-00
3. Helmets	R99,900-00 (60)	R1665-00
4. Equipment bags	R117,000-00 (60)	R1950-00
5. Ess goggles	R64,200-00 (60)	R 1070-00
6. Double Duty belt	R93,000-00 (60)	R1550-00
7. Barais	R86,250-00 (60)	R1437-50

## Record 11

" Thashan called to redo quotes for the  
 FPG:  
 Garmin GPS 140 x 10 units each.  
 should have 2 sets of quotes one broadcast  
 wins and the other Valtone. ✓

## Record 14

\* To do quotes for the generators  
 1. 2000 So we should have 12 quotes  
 2. Valtone must win and 2 Braodcast  
 = done all quotes left on Thashan desk.

## Record 53

VALTONE

019091

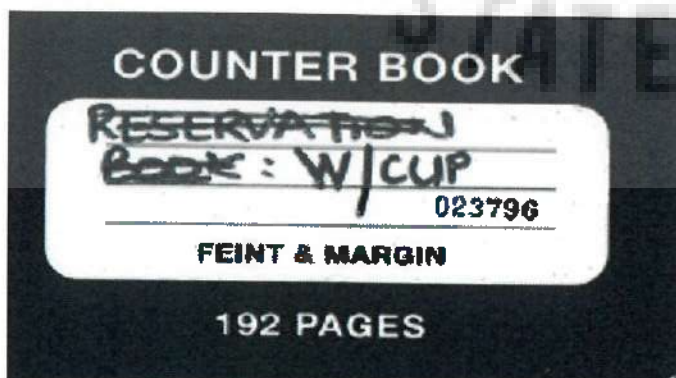
1. Interactive Penrite Board 3x2m (1)	
2. Urn - 30LT (x6)	
3. Camp folding beds (40)	AD341784 - R2,139 each x 40 = R85,560 (E41)
4. Uprite fridges 120LT (x4)	
5. DVD Players (x3)	
6. Video Camera Sony Hdr ex100 (x2)	AD341784 R4,200 x 4 = R16,800 (E38)
7. Tanks 20ton (x2)	
8. Multimedia Projector & Screen (x2)	
9. Medical kits (x6)	

	V	U	K
1.	R39.330.	R42.000 <sup>2</sup>	R45.550 <sup>3</sup>
2.	R6099.00	R6325.00 <sup>3</sup>	R6200.00 <sup>2</sup>
3.	R <del>1285</del> <sup>2139</sup> .00	R1245.00	R1550.00
4.	R4200	R4800.00	R4450.00
5.	R600.00	R685.00	R725.50
6.	R14.697.00	R15.797.00	R17.000
7.	R1598.34	R1750.50	R1885.90
8.	R <del>1559.70</del>	R	
8.	R15,597.00	R16.250	R17.000.00
9.	R1692.90	R1785.85	R1895.98.

23.

Without going into all the detail, which is set out in my report, I set out below one example of the type of records Mr Panday kept, reflecting the overcharging of the SAPS by the entities he controlled, for accommodation services that were not supplied. Below is an extract from my report Annexure TSW 1 page 381 – 383.

- i. "I have also identified, amongst Goldcoast Trading's records, a Walton's A4 counter book (Document No. 23796 – 23821) which contains the heading "W/Cup" on the face thereof. A copy of this heading is illustrated Record 127 below



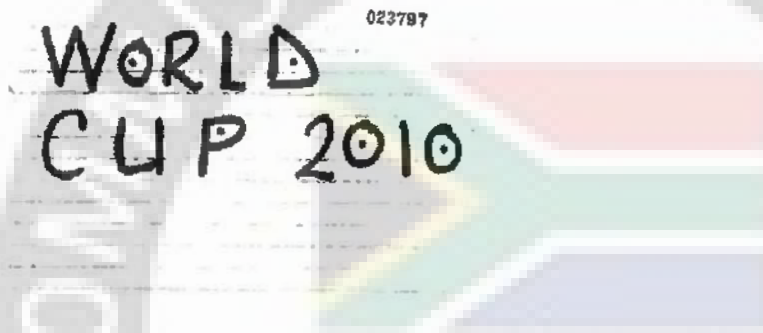
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ii. *The first page of the abovementioned Walton's Counter book contains the heading "World Cup 2010" and based thereon, I would conclude that the content of this book contains a record of the deployment of police members during the SWC by Goldcoast Trading. A copy of this heading, as it appears on the first page of this counter book, is illustrated in Record 128 below.*

iii. *Record 128*



iv. *I have determined from the examination of the abovementioned Walton's counter book that there are various entries relating to the accommodation of members during the SWC at ten (10) venues. These entries contain three headings for each venue namely: "Date Start"; "True Stay"; and "Goldcoast Charge." An extract of this document (Document No. 23798), which relates to the accommodation of members in the Reservoir area, is illustrated Record 129 below.*

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## v. Record 129

DATE START	TRUE STAY	GOLD COAST CHARGE
6:06:2010	48 MEMBERS	60 MEMBERS
7:06:2010	48 MEMBERS	60 MEMBERS
8:06:2010	48 MEMBERS	60 MEMBERS
9:06:2010	48 MEMBERS	60 MEMBERS
10:06:2010	48 MEMBERS + 148	200 MEMBERS
11:06:2010	141 MEMBERS	200 MEMBERS
12:06:2010	141 MEMBERS	200 MEMBERS
13:06:2010	141 MEMBERS	200 MEMBERS
14:06:2010	141 MEMBERS	200 MEMBERS
15:06:2010	141 MEMBERS	200 MEMBERS

24.

I was able to determine that the "Goldcoast Charge" was the number of members SAPS was charged for even although, in many instances, I could determine from the accommodation suppliers' records that Goldcoast Trading was only charged for the "True Stay" number of members. This type of overcharging resulted 5,287 nights of accommodation being charged for by Goldcoast Trading, when they knew the SAPS members did not stay in the respective hotel. As a result, SAPS were charged R4,968,775 by Goldcoast for accommodation that was not provided.

25.

The final conclusion in my report dated 24 November 2014 is as follows:

- i. The five entities discussed in my report, namely Goldcoast Trading; Bravosat 25 CC; Valotone 21 CC; Unite Mzansi Trading; and Kaseev Traders, are all related to Panday in that he is the sole member for four of the five entities with the

exception of Kaseev Traders whose sole member is Seevesh Iswarkumar, who appears to be Panday's brother in law.

- ii. Reports from the CIPC indicate that one of these five entities was initially owned by Panday's mother, Arvenda Panday, who was the sole member of Bravosat 25 CC, but resigned as a member thereof on 9 November 2009, although the documents relating to her resignation were only submitted to CIPC on 17 August / September 2011.
- iii. Despite Arvenda Panday's resignation as a member of Bravosat 25 CC being effective on 9 November 2009, and Panday becoming the sole member on the same date, she facilitated in the opening of an ABSA Bank account for Bravosat 25 CC on 18 November 2009, and still remains the only contact person on this account, whilst she also facilitated the registration of Bravosat 25 CC on the SAPS Supplier database on 30 November 2009.
- iv. The second of the five entities, being Valotone 21 CC, was initially solely owned by Panday's wife, Privisha Panday (nee Summerjeeth), who became the sole member thereof on 9 November 2009 and resigned her membership to this entity, effective 9 November 2009, although CIPC was officially informed of this resignation on 17 August 2011.

Handwritten signature and a checkmark-like mark.

- v. *Despite Privisha Panday (nee Summerjeeth) resignation as the sole member for Valotone 21 CC on 9 November 2009, she facilitated in the opening of a bank account for this entity with ABSA Bank on 18 November 2009 and continues to remain the sole signatory on this account even though she was no longer a member thereof. In addition, she also facilitated in registering Valotone 21 CC on the SAPS Supplier database on 30 November 2009, which was after her resignation date as a member for this entity.*
- vi. *Based on the above, I can conclude that Panday was the sole member of Goldcoast Trading, Valotone 21 CC, Bravosat 25 CC, and Unite Mzansi Trading with effect from 9 November 2009 when these entities started to perform work for the SAPS which relationship is best illustrated hereunder:*

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vii. *It has been determined that these entities gave the false impression of competing against one another for the supply of the same goods and/or services to the SAPS and therefore, created the impression that there was competitive bidding*

*taking place and that the prices tendered/quoted were market related when in fact they were not.*

- viii. *In aggregate, the SAPS paid, between the period November 2009 to August 2010, R47,346,597.52 to these five entities of which R39,336,283 was paid to Goldcoast Trading. Of the R39,336,283 paid to Goldcoast Trading R26,320,250 was in respect of accommodation of police members during the SWC.*
- ix. *The order awarded to Goldcoast Trading in the amount of R26,320,250 to accommodate police members during the SWC was done on the basis that the matter was urgent and therefore, the tender was not advertised in the Government Tender Bulletin as required in terms of the SCM policy and therefore, competitive bidding procedures were not complied with.*
- x. *According to the Information Note that was presented to the Bid Adjudication Committee, and the supporting documents relating thereto, it is being certified by Major General R S Pillay that the tender for the accommodation of police members during the SWC was an urgent matter and because of the safety and security of police members during the SWC the matter did not go out to tender. Although it is also a requirement that the motivation must state that the urgency did not arise as a result of the lack of proper planning this was not done. This urgency arose because of the lack of proper planning since the SAPS knew from*

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*at least October 2009 that accommodation of police members during the SWC was required yet the information was only submitted to the BAC in June 2010.*

- xi. Narainpershad divided the police members between three suppliers being Goldcoast Trading (80%), Coastlands (16%) and Pendleburys (4%) even though he was aware that there was additional accommodation available at Coastlands, in addition to the fact that Coastlands rate per night was significantly less than that of Goldcoast Trading (R400 per person sharing as opposed to R850 per person sharing) which would have been a saving of R2,760,130 to the SAPS. This is aggravated even further as Panday approached Coastlands during May 2010 to accommodate police members at Coastlands during the SWC and therefore, resulted in the police paying significantly more for these services had Narainpershad divided the members transparently and in the most cost effective way between the various providers of accommodation.*
- xii. During the period when these orders were awarded to Panday's related entities, Madhoe, Narainpershad, Lieutenant General Ngobeni and Major General RS Pillay received gifts from Panday in the aggregate amount of R171,265.58 and based thereon, neither of the four should have been involved in any decisions relating to work awarded to any of his related entities.*
- xiii. The amounts paid for the benefit of each of these four police members is detailed hereunder:*

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No	Name	Value of Benefit (R)
1	Madhoe	89,104.95 <sup>1</sup>
2	Narainpershad	59,662.71 <sup>2</sup>
3	Lieutenant General Ngobeni	20,962.00 <sup>3</sup>
4	Major General RS Pillay	1,535.92
<b>Total</b>		<b>171,265.58</b>

<sup>1</sup> Oyster Box R8,010 + SA Airways R8,564 + Advocate Cars R80,000 + Westin Grand Cape Town R14,510.95 = R89,104.95

<sup>2</sup> Varsity College R43,500 + Game Stores R7,154 + Protea Hotel Kariden R1,752.71 + Protea Hotel Richards Bay R7,256 = R59,662.71

<sup>3</sup> Royal Palm / Dish Restaurant R18,712 + Zindx Productions / Mr Maharaj R2,250 = R20,962

- xiv. *I have been able to reconcile R12,749,533.32 of the R20,138,222.52 invoiced to the SAPS by Panday's related entities to their supplier invoices and have determined from these reconciliations that Panday and/or his related entities have made a gross profit of R8,480,149.12 of the R12,749,533.32 that was paid to them by the SAPS, excluding any payments for the SWC.*
- xv. *A summary of the aforementioned profit margins and the cost of sale amounts in respect of each of these related entities are detailed hereunder:*

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Name	Total Amount Invoiced  (R)	Value of Reconcilable Invoice Amount  (R)	Cost of Sales  (R)	Gross Profit  (R)	Gross Profit  %
Kaseev Traders	1,552,019.40	1,552,019.40	734,365.44	817,653.96	111
Valotone 21 CC	3,515,704.36	3,227,891.86	945,215.38	2,282,676.48	241
Unite Mzansi Trading	863,122.06	863,122.06	232,995.40	630,126.66	270
Bravosai 25 CC	2,079,468.70	1,858,100.00	652,100.08	1,205,999.92	185
Goldcoast Trading (Goods)	195,450.00	194,450.00	65,686.50	129,764.00	196
Goldcoast Trading (KZN Deployments)	11,932,458	5,053,950.00	1,640,021.90	3,413,928.10	208
<b>Total</b>	<b>20,138,222.52</b>	<b>12,749,533.32</b>	<b>4,270,384.70</b>	<b>8,480,149.12</b>	<b>199</b>

xvi. Owing to the manner in which Goldcoast Trading invoiced the SAPS for the accommodation of members during the SWC it was not possible to reconcile cost of sale invoices to specific invoices issued by Goldcoast Trading. Consequently, the only means in which an analysis of the various types of information could be completed was to compare the aggregate quantity and amounts that were invoiced by Goldcoast Trading to their supplier invoices and the aggregate number of members, whilst using the average rate charged per member and comparing that with the rate to determine whether there was any variances with the amounts and quantities that were invoiced to the police.

xvii. As a result of the constraints encountered in respect of reconciling Goldcoast Trading supplier invoices to the invoices issued by them to the SAPS for the SWC, I had to provide for four scenarios in my analysis to be taken into account when determining the prejudice or losses that have been sustained by the police



as a result of the various misrepresentations made by Goldcoast Trading and/or Panday as detailed hereunder:

Scenario	Scenario Description	Prejudice ( R )
Scenario 1	Calculation of the value of overstated invoices	4,968,775.47
Scenario 2	Calculation of overcharge based on incorrect tariff used by Goldcoast Trading	2,025,035.88
Scenario 3	Calculation of potential overpayment to Goldcoast Trading.	12,357,656.88
Scenario 4	Calculation of Losses less 20% Gross Profit	10,995,983.16

(Scenario 3 & 4 are mutually exclusive and cannot be added together to calculate the total prejudice )

- xviii. I have also prepared a flow chart containing a summary of the movement of funds between Panday's related entities and the accounts into which money was paid by these entities and/or Panday. This flow chart is annexed to this conclusion for ease of reference and should be examined together with my conclusion to understand the movement of funds between the accounts.  
(Annexure TSW 2)

- xix. Of the R47,346,597.52 that was paid to Panday's related entities by the SAPS, R39,336,283 was paid into Goldcoast Trading's Nedbank account No. 1442016728 which was disbursed from this account as follows:

Beneficiary	Bank Account Details	Amount (R)
Thoshan Panday	Standard Bank Account No. 252133412	2,070,000.00
	ABSA bank Account No. 4058448969	8,506,000.00
	Nedbank Account No. 5898460804057768	35,500.00
Privisha	Unknown	10,310,000.00
Cambric	Unknown	4,000,000.00
Bamath	Unknown	5,404,174.34
Seevesh Ishwarkumar	FNB Account No. 50429038596	1,080,639.21
	FNB Account No. 62254021878	17,500.00
Momentum		775,994.21
Cheques Cashed / or bearer cheques cashed <sup>1</sup>		3,225,746.24
Cash Withdrawal		207,200.00
<b>Total</b>		<b>35,632,754.00</b>

<sup>1</sup> Copies of all these paid cheques have not been provided to me for further analysis and therefore, this information has merely been extracted from the bank statements and or the available returned paid cheques that have been located amongst Goldcoast Trading's records.

- xx. The Nedbank statements of Goldcoast Trading indicate that, in aggregate, R10,310,000 was transferred to "Privisha" where one transaction was in the amount of R10,000,000 and was transferred on 4 August 2010. I have inferred that this is Panday's wife however, I do not have the supporting documents relating to these transactions and therefore, I am unable, at this time, to verify the contra account into which these funds were paid.
- xxi. Of the R2,070,000 paid into Panday's Standard bank account No. 252133412, R553,439.91 thereof was transferred to his Dinners Club account No. 36135773216 which account was used by Panday to pay for various items for Madhoe, Narainpershad and Lieutenant General Ngobeni.
- xxii. It has also been determined that a significant portion of the money paid into the other bank accounts of Panday's related entities by the SAPS were paid into

*Goldcoast Trading's account with the exception of money paid into the account of Kaseev Traders.*

- xxiii. *Of the R1,552,019.40 paid into the aforementioned entity's bank account R1,246,755 was paid into the FNB accounts of Seevesh Ishwarkumar whilst a further R207,200 was withdrawn from the account in cash.*
- xxiv. *Panday, with the assistance of Privisha Panday (his wife) and Arvenda Panday (his mother), set up a number of entities which he controlled but gave the impression they were independent of each other. These entities were then used, with assistance of Madhoe, Narainpershad and Major General Pillay, to make various misrepresentations to the SAPS and, in so doing, manipulated the SAPS procurement process so that they were awarded orders for the supply of goods and accommodation at significantly inflated prices that were not market related.*
- xxv. *Lieutenant General Ngobeni intervened in the investigation into the procurement related procedures and tried to put a stop to any further investigation by giving direct instructions in this regard.*
- xxvi. *During the same time period that the goods/accommodation was being supplied by Panday linked entities at inflated prices to the prejudice of the SAPS, and when Lieutenant General Ngobeni tried to stop any further investigation, Panday was making payments on behalf of or purchasing various items from airfares, a*

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*car, accommodation, a birthday party dinner, etc. for Madhoe (R89,105), Narainpershad (59,663), Major General Pillay (R1,536) and Lieutenant General Ngoben (R20,962)."*

26.

I have prepared a time line that summarises the relationship between the significant events and benefits paid to SAPS personnel. (Annexure TSW 3)

27.

There were a number of consultations and interactions with various representatives of the NPA regarding this investigation, the most significant of which I have detailed below.

28.

A draft report dated 10 May 2013, comprising 373 pages and 20 lever arch files of annexures, was prepared and given to the Colonel H van Loggerenberg from the Directorate of Priority Crime Investigations ("DPCI"). A copy of this report was also given to the prosecutor in this case, Advocate Letsholo from the Specialised Commercial Crime Court ("SCCC") in Durban at a meeting on 21 May 2013. This was to enable him to raise any queries he had before the final report was issued.

29.

A number of months passed with no feedback or queries from Advocate Letsholo.

30.

On 2 December 2013 I received a message from Colonel van Loggerenberg that Advocate Letsholo wanted to meet to discuss the draft report. A meeting was scheduled

for 10 December 2013 at the SCCC Durban's offices. The meeting was chaired by prosecutor Advocate Letsholo and Advocate Vimbani, the head of the SCCC in Durban, was also present. In addition to myself, the meeting was attended by Colonel H van Loggerenberg, Colonel SY Govender and Colonel P Herbst from the DPCI and Ms Frenelle Noble from PwC. The meeting was to discuss queries Advocate Letsholo had on the draft PwC report dated 10 May 2013. Whilst we made good progress and got to page 116, we did not complete the exercise. A follow up meeting was scheduled for after the holidays on 15 January 2014.

31.

The meeting on 15 January 2014 was again chaired by the prosecutor Advocate Letsholo and Advocate Vimbani was also present. In addition to myself, it was again attended by Colonel H van Loggerenberg, Colonel SY Govender, Colonel P Herbst and Ms Frenelle Noble. Advocate Letsholo raised some minor additional aspects that he wanted me to consider for inclusion in my final report.

32.

I attended to all Advocate Letsholo's queries and updated my report. There was then a further meeting on 14 March 2014 at PwC's offices in Essenwood Road Durban. The meeting was chaired by prosecutor Advocate Letsholo and was in addition to myself, attended by Colonel H van Loggerenberg, Colonel SY Govender and Col C Jones from the DPCI and Ms Frenelle Noble. At this meeting we were planning to discuss how all Advocate Letsholo's queries had been addressed and the report updated. After some initial discussion about how all the queries were cleared and the report updated,

Advocate Letsholo asked the PwC representatives at the meeting, being myself and Ms Frenelle Noble, to please excuse ourselves as there was something confidential he wanted to discuss with the DPCI representatives.

33.

A short while later when they had finished their meeting Colonel H van Loggerenberg told me that Advocate Letsholo had decided that the evidence on which my report was drafted had been tainted as a result of an operation in terms of the Interception and Monitoring Act 70 of 2002 (Act 70 of 2002), that was being undertaken by Colonel B Padayachee from SAPS Crime Intelligence and, as a result, he had decided not to prosecute any of the suspects.

34.

I later understood that the Act 70 of 2002 operation was a process whereby Colonel B Padayachee from Crime Intelligence had obtained judicial authority to monitor electronic communications of Mr Panday. This monitoring was, I understood, undertaken because there had been threats made against the investigating officers in the case.

35.

I was amazed by this decision as at no stage had any information relating to the monitoring of Mr Panday's electronic communication been given to me, or any member of my team, to use in the PwC Forensic Investigation. I struggled to understand how the documentary evidence I had relied on to produce my draft report, that had been provided to Advocate Letsholo, could be tainted.

36.

At a meeting with Colonel van Loggerenberg on 9 April 2014, he handed me a copy of a letter from Advocate Letsholo dated 25 March 2014 regarding the reasons why he had decided not to prosecute the suspects in this matter. I annex this letter hereto as **Annexure TSW 28.**

37.

I wrote a letter (**Annexure TSW 4**) to Colonel van Loggerenberg the same day, being 9 April 2014, commenting on Advocate Letsholo's letter. My letter stated the following:

- i. *"The draft PwC report dated 10 May 2013, consisting of 373 pages and 20 lever arch files of annexures was also discussed at the meeting with Adv Letsholo and Adv Vimbani on 21 May 2013 and he was given a copy thereof. This was in addition to the SAPS volumes containing witness statements. The first time I received feedback from Adv Letsholo regarding the draft report was on 10 December 2013.*
- ii. *The sources of the information and documents that were used to prepare our draft report dated 10 May 2103 is set out in section 9 of that report. This included documents and computers seized by SAPS in terms of search warrants, documents subpoenaed by SAPS, internal SAPS documents and documents provided by witnesses interviewed by SAPS.*
- iii. *No evidence from any Act 70 authorised recordings of telephone conversations of Mr Thoshan Panday or any other person was ever given to myself or any*



*member of my team as part of our investigation in this matter. In addition neither myself or any other member of PwC have ever listened to any of the recordings that were obtained by the SAPS Crime Intelligence Unit in terms of Act 70.*

- iv. The fact that there were Act 70 recordings was discussed at the meeting with Adv Letsholo on 21 May 2013 but it was clearly stated by Col van Loggerenberg that these did not related to Cas 781 but to Cas 466 and that they were not used in the investigation relating to Cas 781, being the matter in which PwC had prepared the report referred to in paragraph 1 above.*
- v. Towards the end of the meeting on 15 January 2014, referred to in paragraph 2 of Adv Letsholo's letter, Adv Letsholo was asked by one of the SAPS members present, I cannot recall which one, what he thought of the case and our evidence. Adv Letsholo stated that it was his view that there is a very good case against Narainpershad, Madhoe and Panday. After some discussion and further clarity regarding RS Pillay he agreed that there was also a case for Pillay to answer.*
- vi. Up to this stage Adv Letsholo had made no mention of Provincial Commissioner Ngoben. Col van Loggerenberg asked what about the "PC" to which Adv Letsholo replied that he had some reservations. There was then further discussion during which Col Van Loggerenberg compared the evidence implicating Narainpersad (specific mention was made about the treadmill Mr Panday bought for him) and the birthday party that Mr Panday paid for, for the*

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PC's husband. Col van Loggerenberg then went on to say if Adv Letsholo did not think there was enough evidence against the PC then there was not enough evidence against Narainpersad as the evidence was the same and he might as well close the docket. Adv Letsholo then said he would relook at the evidence and would provide feedback at the next meeting. No feedback was provided in this regard, while I was present, in the next meeting which was on 14 March 2014".

38.

There were a number of discussions between myself and Col H van Loggerenberg subsequent to this and he also could not understand what Advocate Letsholo's concerns were. A decision was then taken, I am not sure by whom, that the matter should be referred to the Independent Police Investigation Directorate ("IPID") for investigation as it involved potential police corruption.

39.

On 21 October 2014, Advocate M Noko, the KwaZulu-Natal Director of Public Prosecutions ("DPP") issued a Memorandum to "The SAPS Investigating Officers Durban Cas 466/09/2011" (Annexure TSW 5). This CAS number 466/09/2011 ("CAS 466") relates to the case concerning the bribe of R1,362,000 that was allegedly paid by Colonel Madhoe to General Booyesen on 8 September 2011. It is alleged that the money to pay the bribe originated from Mr Panday. The reason I am referring to this memorandum, is that it also deals with Durban Central CAS 781/06/2010 ("CAS 781"). In the memorandum, the DPP, Adv. Noko, sets out the reasons why she declined to prosecute (*Nolle Prosequi*) both Colonel Madhoe and Mr Panday for corruption in

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CAS 466 as well as the reasons why the suspects in CAS 781 should not be prosecuted.

40.

In this memorandum, DPP Adv. Noko did not rely on the reasons advanced by Advocate Letsholo, but instead, stated the following regarding CAS 761:

- i. Paragraph 2.3 *"Case 781 was dealt with by the Specialised Commercial Crime Unit (SCCU) in Durban and disposed of recently with a decision not to prosecute anyone as there was no evidence to prosecute any person with any offence. It has been revealed by the SCCU that the SAPS members who were charged with the investigation of this 781 case was gunning for the prosecution of a specific person (KZN SAPS Provincial Commissioner, Lt. Gen. Ngobeni) and Mr Panday and Col. Madhoe were being pressurised to falsely implicate her in the commission of criminal offences, with a promise that they will be exonerated in 781. When the SAPS investigators realised that the PC cannot be charged in this case (781), simply because there is no evidence against her, one I/O reportedly said that the SCCU prosecutor may as well just close this 781 case. It appears Mr Panday and Col. Madhoe featured nowhere in the 781 then as the focus was on the PC. One then may ask a question, why was Col. Madhoe arrested in 466 case. Was this a lawfully justified arrest or was it a way to pressurise him to implicate the PC, as he (Col. Madhoe) even mentions in his representation that he was being regularly interviewed by the I/Os so as he falsely incriminate the PC, which he flatly refused".*

- ii. Paragraph 2.4: *"The SCCU revealed the scheming and intercepting of phone calls of, inter alia, Mr Panday, with a motive and agenda to falsely implicate certain people. They allegedly even went further to even boast to Mr Panday telling him that they know what his defence in the 781 case will be, as they heard his discussions with his legal representative through the intercepted calls".*
- iii. Paragraph 2.5: *"Mr Panday was even promised by SAPS members in the 781 case that if he falsely implicate the PC, they would get rid of the 466 case. It was further explained to Mr Panday that the benefit of this sought incrimination of the PC for them (SAPS members) will be that the PC will be forced to resign and then Maj. Gen. Booysen will become the next KZN PC, further, Maj. Gen. Deena Moodley would remain in control of the secret fund".*
- iv. Paragraph 2.10: *"The allegation that the accused in 466, Mr Panday and Col. Madhoe, wanted Maj. Gen. Booysen to predate a report in the 781 case in order to have the section 205 subpoenas set aside (subpoenas for access to the bank account records) and consequently bribed Maj. Gen. Booysen to do that, does not really hold water because the fact is that if there has been any corruption (bribing of Maj. Gen. Booysen) that took place, would not make the corruption and its successful prosecution impossible, as sections 3(b) and 4(1)(b) of the Prevention and Combating of Corrupt Activities Act 12 of 2004 state. The alleged report in the 781 case that it was alleged was to be predated to invalidate the section 205 subpoenas did not suffice to prove fraud or any offence against*

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*anyone, especially Col. Madhoe and Mr Panday, who are alleged to have bribed Maj. Gen. Booysen for the predating of this very report. This report is made out to be the evidence in the 781 case to prove Fraud against Mr Panday and Col. Madhoe, but one wonders why it could not be seen in this way by the SCCU. If then there is no fraud that could be proven by the SCCU in the 781 case, why would Col. Madhoe (and Mr Panday) bribe Maj. Gen. Booysen, or anyone for that matter, in respect of the 781 case using this report? One would expect that they would know what is contained in the 781 case against them as they are part of it, they would know what they did to even know what this report has against them, especially Col. Madhoe who was then a procurement official who processed the accommodation documents leading to the 781 case".*

41.

A meeting was scheduled for 14 November 2014 at the IPID offices in Durban to discuss the decision that had been made by the NPA not to prosecute the suspects in CAS 781 and CAS 466. The meeting was attended by Mr R McBride the Head of IPID, General Maharaj the KZN Head of IPID, Colonel H van Loggerenberg, Colonel SY Govender and Lieutenant Colonel P Du Plooy from the DPCI and me. I am not sure if there was anyone else present. Mr R McBride was briefed, and he said this was an extremely serious matter that needed to be taken forward and the suspects prosecuted. During the meeting, he called someone who I believe was the National Director of Public Prosecutions ("NDPP"), Nxasana, to discuss the fact that this mater was serious, involved alleged police corruption and needed to be prosecuted.

42.

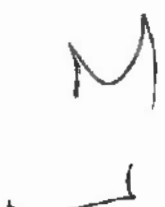
On 19 November 2014, Major General Booysen wrote a letter to the NDPP titled *"Durban Central Cas 466/09/2012 : Corruption against Mr Toshan Panday and Colonel Navin Madhoe"* (Annexure TSW 6). He states that the abovementioned memorandum from DPP Noko is *"permeated with conjecture, innuendo, inaccuracies and in certain instances blatant untruths. Her assertions are an aberration which lacks substance supported by credible evidence"*. He states as follows regarding CAS 761:

- i. *"Ad par 2.3 I respectfully disagree with the submission by Advocate Noko that "there was no evidence to prosecute any person with any offence" in the main investigation pertaining to the R60M corruption. The reference number of this case is Durban Central CAS 781/09/2011. It is my submission that there is a prima facie case against Mr Thoshan Panday, Colonel Navin Madhoe as well as Captain Ashwin Narrainpersad.*
- ii. *For purposes of this submission I refrain from detailing the evidence in this matter save to say that it contains in excess of twenty (20) lever arch files of documents, more than two hundred (200) affidavits as well as a forensic audit report compiled by an independent group of auditors namely Price Waterhouse Cooper (sic).*
- iii. *I find it objectionable that the Specialized Commercial Crimes Unit (SCCU) from her office seeks to entertain and attach credibility to the claims of the suspects in*

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*this matter. Quite how it has been "revealed" by the SCCU that SAPS members charged with the investigation of Durban Central CAS 781/09/2011 was gunning for KZN Provincial Commission, Lieutenant General Ngobeni - is unclear. This imputation is not supported by any evidence other than the contrived version of the suspects themselves. I, for one, has never expressed any desire to become the Provincial Commissioner of KZN and neither have I applied for this position before. In my view this is a fallacious argument since the Durban Central CAS 781/09/2011 investigation pertained to procurement irregularities before the 2010 Soccer World Cup. The investigation focused on irregularities before her appointment as Provincial Commissioner. It is thus ludicrous to believe the suspects ie. Panday and Madhoe in this regard. The investigating officers could not have wanted to "falsely implicate" the Provincial Commissioner for a crime that took place before she assumed her post. Her involvement in the matter relates to attempts by her to interfere with the investigation after she assumed her position as Provincial Commissioner, and not with regard to the procurement irregularities per se.*

- iv. The conclusion by Advocate Noko that neither Panday nor Madhoe features anywhere "no where" (sic) is manifestly wrong and this conclusion ought to be challenged. There is overwhelming evidence to support a converse conclusion.*
- v. Quite how the SCCU "revealed the scheming and intercepting of phone calls of, inter alia, Mr Panday, with a motive and agenda to falsely implicate certain*



people" in my opinion is a mystery. The tenor and tone of Advocate Noko's assertions in this paragraph is indeed worrying and ought to be examined. In her own words there is no proof of Panday's claims as she refers to mere "allegations". Her preference of believing the suspect's version over the police's version raises to my mind a question of purpose of impropriety"

- vi. "Ad par 2.5 : Other than the claims by the suspects in this matter, who had much to lose, had the investigation led to a prosecution, and conversely much to gain should they have managed to derail the investigation, there is no evidence whatsoever to remotely support the claims contained in this paragraph. In any event, why would the Provincial Commissioner be forced to resign if she knew the evidence against her was contrived? Furthermore, there is no guarantee that I would succeed her as Provincial Commissioner. Pre-supposing that she had resigned, for this or any other reason, her vacant post would have been advertised and prospective candidates evaluated for possible appointment. It is my submission that Panday and company have failed to compromise me. They have attempted to have the investigation stopped. The Deputy National Commissioner for the HAWKS - Lieutenant General Dramat is aux fait with the detail. When this failed, they brought in an unsuccessful application in the High Court to thwart the investigation. After they failed to bribe me with R2M in cash, they have obviously run out of ideas. To now suggest an agenda by myself to become Provincial Commissioner at the expense of Lieutenant General Ngobeni is not supported by any evidence and ought to be rejected".





- vii. *"Ad par 2.10: Advocate Noko chooses to be deliberately obtuse. For one, there is indeed prima facie evidence against Colonel Madhoe and Mr Panday in Durban Central CAS 781/09/2011. The attempt by Colonel Madhoe and Mr Panday to derail the investigation in Durban Central CAS 781/09/2011 emanates from their unsuccessful application to have the Section 205 subpoenas set aside.*
- viii. *Although the report in question itself does not contain prima facie evidence of a crime being committed, pre dating the report to a date before the application for the Section 205's could have rendered the 205's and subsequent evidence obtained, inadmissible. Information contained in this report obtained evidence gleaned as a result of the 205's. In other words, if I had predated this report it would have meant that the investigators had obtained the information illegally, before obtaining the Section 205 subpoenas.*
- ix. *Advocate Noko rightly indicates that Colonel Madhoe was from the procurement section. He has inadequate legal knowledge to argue the points raised by Advocate Noko. The sentence : "One would expect that they would know what is contained in the 781 case against them as they are part of it, they would know what they did to even know what this report has against them, especially Col Madhoe who was then a procurement official who processed the accommodation documents leading to the 781 case." Is incoherent and difficult to understand ie. How and why would Panday and Madhoe know what is contained in 781? They*



*were the suspects in the matter and not the investigators. Furthermore, they knew exactly what was contained in this report since they had illegally obtained it. Two copies of the report was found in Madhoe's vehicle on two separate occasions. A third copy of the report had fingerprints that matched those of Panday on it. All this evidence is contained in the dockets and for some unknown reason appears not to have been considered".*

43.

I was then asked to attend a follow up meeting on 21 November 2014 at IPID's offices in Pretoria. I do not recall exactly who was present at this meeting but there were a number of IPID representatives who were briefed on the detailed investigation to date and the status thereof. I was asked why the report was still in draft form and if there was anything stopping me from issuing a final report. I indicated that the only reason why a final report had not been issued was because the NPA had declined to prosecute the matter. I agreed I would issue a final report so that IPID could proceed with the matter.

44.

I issued my report dated 24 November 2014 with subject "Forensic report relating to various transactions between the South African Police service and Goldcoast Trading CC, Unite Mzansi Trading and Projects CC, Bravosat 25 CC, Valotone 21 CC and Kaseev Traders CC" (Annexure TSW 1).

45.

There were follow up meetings with the IPID investigators at PwC's Durban office on 26 November 2014 and 23 January 2015 to discuss the details and evidence available in CAS 781.

46.

I was then asked to attend a meeting on 3 February 2015 at IPID's offices in Pretoria. This meeting was attended by a number of IPID representatives, including Mr McBride. Also, in attendance was Advocate Gerrie Nel and Mr Andrew Leask from the NPA as well as Major General Booysen and Colonel van Loggerenberg. Mr R McBride explained that Advocate Nel was attending the meeting as the NDPP had allocated him to assess the various cases relating to Mr Panday, including CAS 781 and CAS 466, and brief the NDPP, whereafter a decision would be made by the NDPP whether to review the decision taken by Adv. Noko not to prosecute these matters.

47.

However, before the meeting started, Mr R McBride made what at the time I thought was a strange comment when he said that he was going to dust off his fishing rods' as he would be doing a lot of fishing in the near future. When asked what he meant by this, he said that we have been going places we are not supposed to and were treading on the toes of the wrong people and as a result, he had heard that he would shortly be suspended. Mr R McBride was suspended the following month, March 2015.

48.

During the meeting on 3 February 2015, I was asked to brief Adv. Nel on CAS 761 and the reasons as far as I understood them as to why Adv. Letsholo has declined to prosecute. He said it did not make sense to him but that we would need further consultations and in the interim, he would recommend to the NDPP that the NPA proceed with the formalities of reopening the matter. However, shortly thereafter in May 2015, Mr Nxasana vacated the position of NDPP and Advocate S Abrahams was appointed as NDPP. Since then I have not been consulted regarding this matter by anyone from the NPA.

49.

IPID requested further information on 19 June 2016 and electronic copies of my report dated 24 November 2014, as well as the annexures, which were handed over on 23 June 2016, which had already been provided to IPID during 2014.

50.

In addition to this, in September 2018 Advocate W Obrien, a prosecutor at the SCCC in Durban, asked for copies of Flow of Funds and Time Lines diagrams that PwC had previously prepared, as it appeared that she was now somehow involved in the matter but to date, to my knowledge, no further progress has been made.

51.

I fail to understand the reasons provided by the NPA not to prosecute the suspects in CAS 781, as in my view, the documentary evidence upon which my report was based, was the strongest I had seen in my 20 years of investigating cases of this nature.

52.

### INTAKA MATTER

PwC was initially appointed by the KwaZulu-Natal Department of Health (KZN DOH) and later by National Treasury to investigate this matter.

53.

The terms of PwC's appointment are detailed in our agreement, which was signed by Dr YL Mbele (Dr Mbele), Acting Head of KZN DOH on 20 May 2009. Our mandate was extended as detailed in our agreement which was signed by Mr N. Biyela (Biyela), Chief Financial Officer, of the KZN DOH on 9 February 2010.

54.

PwC's appointment was further extended by an agreement signed by Mr Freeman Nomvalo of the National Treasury, on 2 July 2010. This was because the investigation extended beyond the KZN DOH and also involved the investigation of alleged fraud and corruption involving officials from the KZN Department of Local Government and Traditional Affairs (KZN LG & TA) and the Northern Cape Department of Health (Northern Cape DOH).

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55.

The terms of our appointment were further extended and are detailed in our agreement with National Treasury, which was signed by Mr Nomvalo, on 15 October 2010. The said Agreement relates to additional work required to assist the SAPS and the DPP in the criminal investigations involving the Intaka Group of Companies.

56.

Based on the work performed in terms of the above appointments, I issued nine separate reports and an affidavit as follows which are attached hereto as annexures:

- i. S v G Savoi and Others - KZN Dept of Health - Awarding of a contract for Oxyntaka Self- Generating Oxygen Plants to Intaka - CAS 151/08/2010 – dated 24 May 2010 (Annexure TSW 7);
- ii. S v G Savoi and Others - KZN Dept of Health - Purchase of Water Purification Plants from Intaka – dated 24 May 2010 (Annexure TSW 8);
- iii. S v G Savoi and Others - Northern Cape Dept of Health - Procurement of x10 Water Purification Plants – dated 12 October 2010 (Annexure TSW 9);
- iv. S v G Savoi and Others - Northern Cape Dept of Health - Procurement of x30 Oxyntaka Self-Generating Oxygen Plants – dated 19 November 2010 (Annexure TSW 10);



- v. S v G Savoi and Others - Northern Cape Dept of Health - Procurement of x16 Dialysis Machines – dated 4 April 2011 (**Annexure TSW 11**);
- vi. S v G Savoi and Others - Northern Cape Local Government - Procurement of one Water Purification Plant – dated 8 July 2011 (**Annexure TSW 12**);
- vii. S v G Savoi and Others - KZN Dept of Local Government and Traditional Affairs - Procurement of x20 Water Purification Plants – dated 29 July 2011 (**Annexure TSW 13**);
- viii. S v G Savoi and Others (Peggy Nkonyeni) - KZN Dept of Health - Supplementary Report - Procurement of Water Purification Plants and awarding of contract for Oxyntaka Self- Generating Plants – dated 28 October 2011 (**Annexure TSW 14**);
- ix. S v G Savoi and Others - KZN Dept of Health - Supplementary Report - Awarding of a contract for Oxyntaka Self- Generating Oxygen Plant at Murchison Hospital to Intaka – dated 28 October 2011 (**Annexure TSW 15**);
- x. Affidavit dealing with MEC Mike Mabuyakhulu – dated 27 May 2011 (**Annexure TSW 16**).

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57.

The above reports are 785 pages in length and are accompanied by 30 lever arch files of annexures that are cross-referenced to the reports. The annexures to these reports are not attached; however, these have been provided electronically to the Commission.

58.

These reports are included in the various SAPS case dockets relating to these investigations that have been opened in KwaZulu-Natal and the Northern Cape.

59.

The investigation related to the alleged procurement fraud relating to the procurement of the supply of Water Purification Plants, Self-Generating Oxygen Plants and Dialysis machines from the Intaka group of companies. The investigation revealed that:

- i. Intaka representatives secured cover quotations from associated parties thereby enabling them to circumvent SCM procedures and obtain contracts at inflated prices from KZN DOH, Northern Cape DOH and KZN LG & TA;
- ii. In certain instances, the Water Purification Plants were either used for a short period, or not used at all. In one instance, a Water Purification Plant was installed at a hospital in the Northern Cape that was in the process of being relocated. Consequently, the plant was never used;
- iii. In many instances, the hospitals at which the Water Purification Plants had been installed did not have the budget to procure the required chemicals and as a result the plants were bypassed and not used;

- iv. The dialysis machines that were purchased for the Northern Cape DOH were in many instances not used and more than a year later were still in their original packaging;
- v. The acquisition of Self-Generating Oxygen Plants was a controversial decision and was not supported by a large portion of the medical practitioners in both the Northern Cape and KZN. The specifications for the procurement of these plants appear to have been structured in such a way that Intaka was the preferred supplier. There was evidence that Intaka gave input into the specifications prior to these being made available to prospective bidders;
- vi. R1 053 000 was paid by Intaka into the trust account of a law firm, Khuboni & Shezi (Khuboni), and spent for the benefit of Mr Sipho Shabalala, the Head of KZN Treasury. Mr Savoi, the director of Intaka, sought to explain this payment as a donation to the African National Congress (ANC). However, this was recorded as legal fees in the accounting records of Intaka. The money was in fact disbursed from the Khuboni trust account for the benefit of Mr Shabalala and was never recorded in the accounting records of the ANC.
- vii. R1 million was paid by Intaka to an entity that was owned by Mr Mkhwanazi, who was the boyfriend of the Ms Peggy Nkonyeni (Nkonyeni), the KZN MEC for DOH at the time, allegedly for services he was providing relating to the marketing of the Water Purification Plants in KZN. No evidence of these services having been provided, could be found.

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60.

A diagram reflecting the relationship between all the entities involved and the key transactions between them including the flow of funds, is annexed below as **Annexure TSW 19**.

61.

There is a second diagram which specifically details how the R1,053,000 that was paid into Kuboni & Shezi attorneys trust account by Intaka was spent/launched by Mr Shabalala and Mr Mabuyakhulu, with the assistance of the attorneys from Kuboni & Shezi Attorneys (**Annexure TSW 21**).

62.

While the various accused were arrested on preliminary charge sheets, a final indictment (**Annexure TSW 17**) was filed in the KwaZulu-Natal High Court under Pietermaritzburg Case No CC14/12. This was an indictment that included charges relating to racketeering, fraud, corruption, money laundering and the contraventions of the Public Finance and Management Act.

63.

The abovementioned indictment was only given to the accused and filed at court after the NDPP had issued the required "*Authorisation in terms of section 2(4) of the Prevention of Organised Crime Act, Act 121 of 1998*", which he did on 31 July 2011 (**Annexure TSW 18**).

64.

The evidence in this matter is contained in the various reports and annexures thereto that I have referred to above. I will not repeat the contents thereof in this affidavit but the flow of funds diagram referred to by me above, depicts the relationship between the main accused in KZN (**Annexure TSW 19**).

65.

The representatives, Mr Miller and Mr Geddes, of the two entities, Imvusa and Westpro respectively, that were accused of issuing cover quotes to enable Intaka to sell the Water Purification Plants to the KZN DOH and the Northern Cape DOH at inflated prices, both pleaded guilty to the offence of fraud. They entered into a plea and sentence agreement on 29 September 2011 in terms of S105A of ACT 51 of 1977 (**Annexure TSW 20**).

66.

The supplementary report which I prepared dated 28 October 2011 sets out the relationship between Ms Nkonyeni and Mr Savoi and between Ms Nkonyeni and Mr Mkhwanazi (Rowmoor Investments) (**Annexure TSW 14**). This report needs to be read with the original report dealing with the KZN Department of Health - Purchase of Water Purification Plants from Intaka – dated 24 May 2010 (**Annexure TSW8**).

67.

The affidavit I signed on 27 May 2011 sets out a summary of the information regarding the involvement of Mr Mabuyakhulu, the KZN Provincial Treasurer of the ANC

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**(Annexure TSW 16).** The ANC's attorneys had consulted with Mr Mabuyakhulu and addressed a letter to the NPA averring that the R1 million which Mr Shabalala had averred was paid as a donation to the ANC, had been received by the ANC. I believe that this was done in order to persuade the NPA to withdraw the charges against Mr Shabalala. As I have said, this was not reflected in the accounting records of the ANC but was actually paid from Khuboni attorneys trust account for the benefit of Mr Shabalala. A copy of this letter is attached as **Annexure TSW 29.**

68.

On 19 March 2012 I received an email from Advocate N Dunywa, the lead prosecutor assigned to the matter, inviting me to attend a meeting on 23 March 2012 with the NPA at 10.00 in Durban. The meeting was also to be attended by the National Head of the SCCU (Adv. Mrwebi) and the National Head of Organised Crime Unit (Adv. A Mosing). **(Annexure TSW 22).** The email invitation was also sent to Colonel C Jones and Lieutenant Colonel P Du Plooy and copied to the KZN DPP Adv Mlotshwa.

69.

The invitation requested the following information from the investigating officer, Lieutenant Colonel P Du Plooy, and me regarding the investigation that we had conducted:

- i. *"The investigating officer, Lt Colonel Du Plooy is requested to prepare the following:*
  - a. *Summary of the investigating diary;*

- b. list of exhibits that were seized and/or handed to the investigating team from different government departments and chain statements.*
- ii. The forensic investigator, Mr White is requested to prepare the following:*
  - a. Busisiwe Nyembezi companies flow of funds*
  - b. Rowmoor funds flow analysis*
  - c. Intaka flow of funds"*

70.

When we, Lieutenant Colonel Du Plooy and I, arrived for the meeting, I recall there was a problem with finding an available room as there was an issue with the air conditioning system and it was a very hot day. As a result, the meeting started approximately 20 minutes late.

71.

Present at the meeting were Advocate N Dunywa, Advocate Vimbani and Advocate M Mthembu from the prosecution team as well as Advocates Mrwebi and Mosing whom I was introduced to at the meeting. I had not had any dealings with them regarding this investigation prior to this. Also present, in addition to myself, were Colonel C Jones and Lieutenant Colonel Du Plooy.

72.

It immediately became clear that Advocate N Dunywa, who was the lead prosecutor in the matter, was not in charge of the meeting and that Advocates Mrwebi and Mosing were directing proceedings. The meeting started off in a fairly abrupt manner as Advocate Mrwebi informed us that a decision had been made to withdraw the charges against Mr Mabuyakhulu and they just wanted to know what the evidence against

Ms Nkonyeni was, as they were considering withdrawing the charges against her as well.

73.

We, being Lieutenant Colonel Du Plooy and myself, both asked why the decision had already been made to withdraw the charges against Mr Mabuyakhulu and what this was based on, as there had been extensive consultation over the years with numerous NPA representatives that ultimately resulted in the racketeering certificate being issued and the indictment that was currently at court. They told us that regardless of what had happened to date, there was no evidence and that we should not waste time on this aspect where a decision had already been made and concentrate on Ms Nkonyeni.

74.

They also said that we should stop wasting time as this meeting was only scheduled for an hour and we had already wasted 20 minutes. We informed them that this was not a simple task and that to do it properly we would need approximately three days to present the evidence to them which was included in the forensic reports that I had issued and which, together with other evidence in the various case dockets, was used to draw up the indictment that was currently before court.

75.

They (Adv. Mrwebi and Adv. Mosing) said they were not interested in a long drawn out process and needed to finalise their decision that day.

76.

Lieutenant Colonel Du Plooy told them that it looked like they had already made up their minds and this consultation was merely a formality so that they could say we had been consulted when making the decision to withdraw. They did not take kindly to this suggestion, but Lieutenant Colonel Du Plooy went further to say that while I would explain what I could in the time available, the SAPS were not part of this decision and that the NPA should just inform the SAPS in writing what their decision was.

77.

The prosecution team that was assigned to this case, which was led by Advocate N Dunywa, hardly said anything during the meeting. I got the impression that, while they did not agree with what was happening, they were not prepared to challenge their superiors and as a result, everybody was merely going through the motions so that they could say the investigation team was consulted.

78.

Following a meeting with Ad. Dunywa and his team to discuss the status of the prosecution, I sent an email to Mr Nomvalo, the Accountant General at National Treasury on 2 May 2012, which stated, amongst other things:

*"I met with the prosecutors in the Intaka case this morning. They informed me that to date no charges have been formally withdrawn from any of the accused and the Acting DPP in KZN has challenged the interference by Adv Lawrence Mrwebi. In this regard he has written to the Acting NDPP and informed her that the process being followed by Adv Mrwebi is not in terms of the NPA Act and the Constitution. There is*

A handwritten signature, possibly 'M', with a large checkmark or arrow-like stroke below it.

*apparently a very specific process that needs to be followed in terms of the NPA Act to review the decision by the DPP to prosecute a person” (Annexure TSW 23).*

79.

During July 2012, the Acting KZN DPP Advocate Mlotshwa, who I understand had signed all the KZN warrants of arrest in this matter, was replaced with Advocate M Noko. Shortly thereafter, in mid-August 2012, the charges were withdrawn against Ms Nkonyeni and Mr Mabuyakhulu as well as Mr Mkhwanazi (who was linked to the charge against Ms Nkonyeni) and Ms Phindela, Mr Thusi and Mr Blose (all of whom were linked to the charge against Mr Mabuyakhulu).

80.

The charges were formally withdrawn in court by Advocate Duniwa, who told me he was not in agreement with the decision and was merely following orders. He made a specific point of this in court by stating something along the lines of “*I am withdrawing the charges on instructions*”.

81.

Advocate Mlotshwa told me some time later that he had refused to withdraw the charges against Ms Nkonyeni and Mr Mabuyakhulu and that in terms of the NPA Act he could not be overruled unless his decision was taken on review, which the NDPP did not want to do. He said he believed that is the reason why he was removed as the Acting KZN DPP and replaced with Advocate M Noko.



82.

I was also told by both Lieutenant Colonel Du Plooy and Advocate Dunywa that neither of them had been requested to make the Case Docket or the Forensic Reports available to Advocate M Noko for her review prior to the charges against Ms Nkonyeni and Mr Mabuyakhulu being withdrawn.

83.

Subsequent to this, there have been various legal challenges by the remaining accused in this matter and as a result, it has dragged on for years. The first was a challenge as to whether the words "*ought to have known*" as contained in the Prevention of Organised Crime Act, were constitutional. The Constitutional Court ultimately ruled in March 2014, that the words were not unconstitutional.

84.

An application for a permanent stay of prosecution was brought by Mr Savoi, Mr Praderi and Intaka Holdings (Pty) Ltd by way of Notice of Motion issued on May 2013. While I was consulted by advocates briefed on behalf of the State to assist in preparing an answering affidavit, as far as I know, nothing has been finalised. It appears that there is a reluctance on the part of the accused as well as the State to set the matter down for hearing. As a result, neither the cases in KZN or Northern Cape have proceeded. The matters are remanded in about February each year, for a year, on the basis that the application for a permanent stay of prosecution is pending. The application for a permanent stay of prosecution has, accordingly, effectively sterilised the prosecution against the remaining accused.

85.

In the intervening period, Advocate N Dunywa was replaced as the lead prosecutor in KZN by Advocate Vimbani.

86.

Sometime in 2017, I was approached by Advocate Vimbani and requested to make myself available to consult with the new KZN prosecutors that had been allocated to the matter. I asked National Treasury, who was PwC's client and paying our fees, whether they were prepared to pay for this as their involvement in the matter had ceased in about 2012. They informed me that they would not pay PwC for these consultations and PwC was subsequently appointed by the NPA on 13 December 2017.

87.

However, it took six months to set up a meeting with the NPA and the first consultation only took place on 12 June 2018. A copy of the attendance register attached (Annexure TSW 24). In attendance, in addition to myself, were Advocate Vimbani and another three new prosecutors, Lieutenant Colonel Du Plooy and Mr Jansen van Vuuren from PwC. The prosecutors were totally unprepared for the consultation and had not read the forensic reports or the case docket. We spent a few hours giving them background and an overview of the matter. They then said they did not have copies of all the forensic reports and annexures. We undertook to provide these, which we did on 25 June 2018. There was agreement at the meeting that we would reconvene on 16 and 17 October 2018 for a detailed consultation once they had all had a chance to familiarise themselves with the facts of the matter. The meeting did not take place as they were not ready and to date has not been rescheduled.

88.

There was a request from Advocate Vimbani for a meeting on 18 November 2019 to discuss the terms of a potential plea agreement that some of the accused are proposing. I could not attend as I was overseas on the day in question but have been informed that the proposal is at a very preliminary stage.


89.

In both the Panday and Intaka matters there has been a very dedicated team of investigators from the DPCI, supported by PwC, who investigated and collected supporting evidence. This resulted in very strong criminal cases being presented to the NPA, with excellent supporting documentation. However, it appears that in both instances, the evidence has not been used for successful prosecutions due to the actions of individuals within the NPA, as detailed in my affidavit above.

I know and understand the contents of this statement.

I have no objection to taking the prescribed oath.

I consider the oath to be binding on my conscience.



Signed by Mr TS White

Date: 6/12/19



he M 10/15

I certify that the deponent has acknowledged that ~~she~~ knows and understand the contents of this declaration, which was sworn to before me, and the deponent's signature was placed thereon in my presence at Sandton on the 6 day of December 2019.

Mphahlele

Signature of Commissioner of Oaths

MAGDALENA FRANCINA MARGARETHA VAN DER WALT  
Commissioner of Oaths by Appointment  
Reference Number: 1694 18.05.2010

The Central, 96 Rivonia Road  
SANDTON, 2196



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In the matter between:

Case No. Durban CAS 781/06/2010

**THE STATE**

and

**THOSHAN PANDAY**

**ACCUSED NO. 1**

**COLONEL NAVIN MADHOE**

**ACCUSED NO. 2**

**CAPTAIN ASWIN NARAINPERSHAD**

**ACCUSED NO. 3**

**LIEUTENANT GENERAL NGOBENI**

**ACCUSED NO. 4**

**MAJOR GENERAL RS PILLAY**

**ACCUSED NO. 5**

**PRIVISHA PANDAY (NEE SUMMERJEETH)**

**ACCUSED NO. 6**

**ARVENDA PANDAY**

**ACCUSED NO. 7**

**GOLDCOAST TRADING CC**

**ACCUSED NO. 8**

**UNITE MSANZI TRADING AND PROJECTS CC**

**ACCUSED NO. 9**

**VALOTONE 21 CC**

**ACCUSED NO. 10**

**BRAVOSAT 25 CC**

**ACCUSED NO. 11**

**KASEEV TRADERS CC**

**ACCUSED NO. 12**

**REPORT OF TREVOR SEAN WHITE**

Dated

24 November 2014

Specialist field

Chartered Accountant and Forensic Auditor

On behalf of the Prosecution

The Director of Public Prosecution

On the instruction of

The South African Police Service

Subject matter

Forensic report relating to various transactions between the South African Police Service and Goldcoast Trading CC, Unite Mzansi Trading and Projects CC, Bravosat 25 CC, Valotone 21 CC, and Kaseev Traders CC.



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Report of Trevor White

Chartered Accountant and Forensic Auditor

State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

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21. CONCLUSION

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**ABBREVIATIONS AND DEFINITIONS**

Abbreviated Name / Terminology	Full Name and or Description
BAC	Bid Adjudication Committee.
BEC	Bid Evaluation Committee.
Bravosat 25 CC	Bravosat 25 CC, registration No. 2009/054354/23.
Brigadier Kemp	Brigadier Laurence Charles Kemp, Head of Provincial Financial Services in KwaZulu-Natal.
CCMA	The Commission for Conciliation, Mediation and Arbitration.
EFT	Electronic Funds Transfer.
FNB	First National Bank.
Goldcoast Trading	Goldcoast Trading CC, registration No. 2006/090013/23.
Kaseev Traders	Kaseev Traders CC, registration No. 2010/000129/23.
KZN	KwaZulu-Natal.
Madhoe	Superintendent Madhoe.
Narainpershad	Captain Aswin Narainpershad.
ORS	Operational Response Services.
Panday	Thoshan Panday, owner of Goldcoast Trading CC.

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Abbreviated Name / Terminology	Full Name and or Description
Panday's Related Entities	Goldcoast Trading, Unite Mzansi Projects, Valotone 21 CC and Bravosat 25 CC.
PFMA	Public Finance Management Act.
PwC	PricewaterhouseCoopers.
SAPS	South African Police Service.
SCM	Supply Chain Management.
Section 4 Meeting	Administration Support: Section 4: Soccer World Cup 2010: Priority Committee KwaZulu-Natal.
SWC	Soccer World Cup.
Unite Mzansi Trading	Unite Mzansi Trading and Projects CC, registration No. 2010/003771/23.
Valotone 21 CC	Valotone 21 CC, registration No. 2009/005565/23.

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**LIST OF ANNEXURES****A. South African Police Documents**

<b>Reference</b>	<b>Description</b>
<b>A1</b>	The South African Police Supply Chain Manual.
<b>A2</b>	Letter from the Office of the Provincial Commissioner Supply Chain Management: Major General K V Mekute dated 29 June 2010 re: Access to Information: Advertised Bids/Invitation of Price Quotations.
<b>A3</b>	Waltons Counter Book for Tasleem Rahiman (19026-19238).
<b>A4</b>	Schedule of quotations – Unite Mzansi projects (19300).
<b>A5</b>	Schedule of quotations – Bravosat 25 CC (19301 2).
<b>A6</b>	Schedule of quotations – Kaseev Traders (19303).
<b>A7</b>	Schedule of quotations – Valotone 21 CC (19304 5).
<b>A8</b>	PwC Analysis of Twenty Three (23) Procurement Authority Submissions for Panday's related entities.
<b>A9</b>	Procurement Authority Submission – Digital Camera – R37,000 – AD341780 (13081).
<b>A10</b>	Procurement Authority Submission – Sleeping Bags – R44,460 – AD341779 (13084).
<b>A11</b>	Procurement Authority Submission – Flood Lights – R125,000 – AD341779 (13101).
<b>A12</b>	Procurement Authority Submission – Flood Lights – R125,000 – AD341781 (13103).

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<b>Reference</b>	<b>Description</b>
<b>A13</b>	Procurement Authority Submission – Notice Boards – R68,639.40 – AD341778 (13139).
<b>A14</b>	Procurement Authority Submission – Sun Screen – R48,000 – AD341775 (13106).
<b>A15</b>	Procurement Authority Submission – Sand Bags – R195,000 – AD341774 (13109)
<b>A16</b>	Procurement Authority Submission – Ration Packs – R142,500 – AD341773 (13112).
<b>A17</b>	Procurement Authority Submission –Garmin Nuvi 1410 GPS – R76,000 – AD341776 (13115).
<b>A18</b>	Procurement Authority Submission – Ration Packs – R142,500 – AD341777 (13131).
<b>A19</b>	Procurement Authority Submission – Endo Scope (4) – R92,000 – AD341792 (12929).
<b>A20</b>	Procurement Authority Submission – Multi Media Projectors – R47,560 – AD341790 (13090).
<b>A21</b>	Procurement Authority Submission – Belly Scope (12) – R42,000 – AD341791 (13093).
<b>A22</b>	Procurement Authority Submission – Angle Iron – R47,040 – AD341788 (13097).
<b>A23</b>	Procurement Authority Submission – Beds Campfolding (40) – R85,560 – AD341784 (13118).

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<b>Reference</b>	<b>Description</b>
<b>A24</b>	Procurement Authority Submission – Venter Trailers – R89,100 – AD341785 (13122).
<b>A25</b>	Procurement Authority Submission – Beds Torch Batteries (2100) – R145,425 – AD341786 (13125).
<b>A26</b>	Procurement Authority Submission – Spot Lights – R46,012.50 – AD341787 (13128).
<b>A27</b>	Procurement Authority Submission – Range Finder – R92,700 – AD341782 (13133).
<b>A28</b>	Procurement Authority Submission – Beds Hussain Sacks (1500M) – R75,000 – AD341789 (13142).
<b>A29</b>	Procurement Authority Submission – Handheld Scanners – R99,840 – AD341793 (13145).
<b>A30</b>	Procurement Authority Submission – Handheld Scanners – R99,840 – AD341794 (13148)
<b>A31</b>	Procurement Authority Submission – Range Finder – R92,700 – AD341783 (13154).
<b>A32</b>	First page heading contained in lever arch file marked as volume 76 (exhibit bag 6799) with heading “Different Letterheads”.
<b>A33</b>	Pearl Star Investment 246 letter dated 24 January 2008 addressed to Yvonne Hodge of TAB Gold (24985).
<b>A34</b>	Launchzone Travel Solutions letter (24986).
<b>A35</b>	Plastic Brown Containers (Pty) Ltd letter (24987).
<b>A36</b>	Blank A4 page with “Block A45 Peters Road” appended thereon (24988).

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<b>Reference</b>	<b>Description</b>
<b>A37</b>	Rocksteel Investments (Pty) Ltd letter (24989).
<b>A38</b>	Afeefah Investments T/A Bassa's Wholesale letter (24990).
<b>A39</b>	Afeefah Investments T/A Bassa's Wholesale letter (24991).
<b>A40</b>	A4 blank page "Rock Steel, Mishmart, P C and Rashin" (24992).
<b>A41</b>	Mish Mart Holdings (Pty) Ltd letter (24993).
<b>A42</b>	A4 blank page with "119 Garbut Road, Sherwood" appended thereon (24993A).
<b>A43</b>	Experian Report on Pearl Star Investment 246 CK 2006/010187/23.
<b>A44</b>	Experian Report on Rocksteel Investments (Pty) Ltd, registration No. 2004/031161/07.
<b>A45</b>	Experian Report on Plastic Brown Containers (Pty) Ltd, registration No. 1947/027849/07.
<b>A46</b>	Experian Report on Bassa's Wholesalers CC, registration No. 1988/010704/23 and Sole Proprietor's report.
<b>A47</b>	Experian Report on Mish Mart Holdings (Pty) Ltd, registration No. 2004/002599/07.
<b>A48</b>	Experian Report on Launchzone Travel Solutions, registration No. 2003/013702/23.
<b>A49</b>	Quotations Afeefah Investments T/A Bassa Wholesale – Jan 118 dated 22 January 2010 for R57,500 (16616).
<b>A50</b>	Quotations Afeefah Investments T/A Bassa Wholesale – Dec 15 dated 9 December 2006 for R25,580 (14779).

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References in the margin refer as follows:

(A - F) prefix - Annexure Number

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<b>Reference</b>	<b>Description</b>
<b>A51</b>	Quotations Afeefah Investments T/A Bassa Wholesale – Oct 32 dated 22 October 2009 R31,848 (14769).
<b>A52</b>	SAPS Procurement Authority Submission dated 22 January 2010 (vol 46) including the following documents: (16612-16617)
	(i) Quotation from Bravosat 25 CC for R45,000 (16614).
	(ii) Quotation from Mishmart Holdings for R60,000 (16617).
	(iii) Quotation from Afeefah Investments for R57,500 (16616).
	(iv) Tax Invoice No. 10027 from Bravosat 25 CC for R45,000 (16615).
<b>A53</b>	Standard Bank statement from Account No. 252133412 (Panday) dated 5 February 2008 (29952).
<b>A54</b>	Blank Rocksteel Investments letter with the word cancelled appended thereon (24989)
<b>A55</b>	ABSA Bank statement for Valotone 21 CC dated 18 July 2010 (33390 1).
<b>A56</b>	Quotation Pearl Star Investment dated 22 February 2010 – R235,000 – deployment Nongoma (14764) <b><u>(Vol 41)</u></b>
<b>A57</b>	Quotation Pearl Star Investment dated 22 February 2010 – R104,000 – deployment Nongoma (14759)
<b>A58</b>	Quotation Pearl Star Investment dated 22 February 2010 – R189,000 – deployment Nongoma (14753).
<b>A59</b>	Quotation Pearl Star Investment dated 22 February 2010 – R193,750 – deployment Nongoma (14749).

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<b>Reference</b>	<b>Description</b>
<b>A60</b>	Quotation Pearl Star Investment dated 22 February 2010 – R175,000 – deployment Nongoma (14744).
<b>A61</b>	Quotation Pearl Star Investment dated 7 June 2010 – R27,000 – deployment Ballito and Nongoma (21218).
<b>A62</b>	Letter from the KwaZulu-Natal Provincial Commissioner's Office Supply Chain Management dated 24 February 2010 (14740) together with the following documents (14740-14744).
	(i) Quotation from Goldstar Trading for R150,000 (14742);
	(ii) Quotation from Rocksteel Investments (Pty) Ltd for R165,750 (14743); and
	(iii) Quotation from Pearl Star Investments 246 for R175,000 (14744).
<b>A63</b>	Letter from the KwaZulu-Natal Provincial Commissioner's Office Supply Chain Management dated 24 February 2010 together with the following documents (14750 51):
	(i) Quotation from Goldcoast Trading for R184,600 (14752);
	(ii) Quotation from Pearl Star Investments 246 for R189,200 (14753);
	(iii) Quotation from P B C Accommodation Specialist for R190,000 (14754); and
	(iv) Goldcoast Trading Invoice No.100100 for R184,600 (14751).
<b>A63a</b>	Crocodile Creek tax invoice No. 7 dated 28 February 2010 for R70,800 (22426).
<b>A64</b>	Goldcoast Schedule of unpaid invoices (19055).

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<b>Reference</b>	<b>Description</b>
	<b><u>Forensic Analysis of Computers</u></b>
<b>A65</b>	Profile of Kaseev Traders CC – Author Thoshan Panday created 21 July 2010.
<b>A66</b>	Email dated 12 February 2010 re: Guest from <a href="mailto:thoshan.panday@momentum.co.za">thoshan.panday@momentum.co.za</a> addressed to <a href="mailto:sales2@karridene.co.za">sales2@karridene.co.za</a> .
<b>A67</b>	Fax Protea Hotel Karridene Beach dated 13 February 2010 (020698).
<b>A68</b>	Credit card authorisation dated 10 February 2010 for R1,752.71 (20699).
<b>A69</b>	Fax from Protea Hotel Karridene Beach dated 13 February 2010 (20703).
<b>A70</b>	Credit card authorisation dated 10 February 2010 – R1,752.71 (20704).
<b>A71</b>	Protea Hotel Beach Proforma Invoice R1,752.71 dated 10 February 2010 (20705 6).
<b>A72</b>	Protea Hotel Karridene Beach reservation quote dated 8 February 2010 for R1,432.71 (20707 8).
<b>A73</b>	Protea Hotel Karridene Beach reservation quote dated 8 February 2010 for R1,182.71 (20709 10).
<b>A74</b>	Fax Protea Hotel Karridene Beach dated 13 February 2010 addressed to T Panay (20711).
<b>A75</b>	Credit card payment authorisation form for R1,752.71 (20712).
<b>A76</b>	T Panday's Credit Card Account No 5898460759074594 (30265 6).
<b>A77</b>	Email from Colonel Madhoe to Thoshan Panday dated 20 November 2007 re: Land Sale: 14 Stepford Road.

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<b>Reference</b>	<b>Description</b>
<b>A78</b>	Email from Colonel Madhoe to Thoshan Panday dated 20 November 2007 re: Land Sale: 14 Stepford Road - Second email submitted at 02:42PM.
<b>A79</b>	Email from Janine Grieves, the Chief Legal Advisor, Legal Support, eThekweni Municipality dated 18 February 2013 04:51PM.
<b>A81</b>	Documents annexed to the affidavit of Mr Damian Dallos – Security Manager at the Oyster Box.
<b>A81a</b>	The Oyster Box Credit Card Authorisation Form dated 13 November 2010 for Thoshan Panday, together with Merchant Receipt dated 15 November 2009 in the amount of R6,010 (21916).
<b>A81b</b>	The Oyster Box Credit Card Authorisation Form dated 13 November 2010 for Thoshan Panday (21918).
<b>A81c</b>	Diners Club Invoice for Mr T Panday dated 15 December 2009 for account No. 3613 577321 6 (30621).
<b>A82</b>	Documents annexed to the affidavit of Mr Marche Arnold – South African Airways at King Shaka International Airport.
<b>A82a</b>	Diners Club Invoice for Mr T Panday dated 15 January 2010 for account No. 3613 577321 6 (30624)
<b>A83</b>	Documents annexed to the affidavit of Ms Cheryl Baxter, Vice Principal of Varsity College.
<b>A83a</b>	Diners Club Invoice for Mr T Panday dated 15 February 2010 for account No. 3613 577321 6 (30627).
<b>A84</b>	Documents annexed to the affidavit of Mr Nickesh Maharaj, Salesman at Game Stores.

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<b>Reference</b>	<b>Description</b>
<b>A84a</b>	SAA Premium Credit Card for T Panday for account No. 5898460759074594 (30266).
<b>A85</b>	Documents annexed to the affidavit of Mr Justin Naidoo, Director of Advocate Cars.
<b>A85a</b>	ABSA Bank statement for account No. 40-5844-8969 for Mr T Panday for 9 March 2010 (32840).
<b>A86</b>	Documents annexed to the affidavit of Freddy Singh, Operations Manager at Dish Restaurant.
<b>A86a</b>	Diners Club card for Mr T Panday dated 15 June 2010 for account No. 3613 577321 6 (30634).
<b>A86b</b>	Two receipts from Dish Restaurant dated 29 May 2010 and 30 May 2010 in the amounts of R2,290 and R16,422 respectively (21961) located amongst Panday's records.
<b>A87</b>	Documents annexed to the affidavit of Mr Narendra Maharaj, Owner of Discotheque Trading as Zindx Productions.
<b>A87a</b>	Nedbank statement for Goldcoast Trading with account No. 1442016728 for 15 June 2010 (39626).
<b>A88</b>	Documents annexed to the affidavit of Mr Bhekitamba Enock Hlekwane, a Distribution Manager at Games Stores.
<b>A89</b>	Email from Shameela Abdulah, a Reservations Manager at the Westin Grand Cape Town addressed to Thoshan Panday on 6 January 2010 at 08:28AM regarding the subject "Credit Card Auth form – Madhoe Party.

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<b>Reference</b>	<b>Description</b>
<b>A90</b>	Diners Club statement for account No. 3613 577321 6 reflected a R3,710.95 payment to the Westin Grand Cape Town on 12 January 2010 (42977).
<b>A91</b>	Documents annexed to the affidavit of Mr Kobus Small, A Risk Investigator at Europcar, specifically annexure KS5 relating to the rental of a Toyota 4x4 vehicle by Goldcoast Trading on behalf of Mr RS Pillay.
<b>A92</b>	Nedbank Goldcoast Trading statement for account No. 1442016728 reflects that an amount of R1,535.92 was paid from this account to Europcar ( <b>Document No. 39605</b> ) on 4 August 2010.
<b>A93</b>	Documents annexed to the affidavit of Ms Shameela Abdullah, the Manager at The Westin Cape Town
<b>A94</b>	Documents annexed to the affidavit of Mr Andre De Klerk, The General Manager, Protea Hotel Waterfront, Richards Bay
<b>A95</b>	Documents annexed to the affidavit of Thokgele Bizzah Masemola, a Colonel in the SAPS stationed at the Section Personnel Placement and Records Management, Division HRM, at Pretoria Head Office
<b>A96</b>	Annexure not Used
<b>A97</b>	Documents annexed to the affidavit of Mr Ebrahim Cassim Bassa Bassa, the owner of Afeefah Investments, trading as Bassa Wholesale Hardware CC
<b>A98</b>	Documents annexed to the affidavit of Colonel Lulama Siphokazi Mfuza Tyesi, stationed at SCM, at Pretoria Head Office and attached to Acquisition Management.



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<b>Reference</b>	<b>Description</b>
<b>A99</b>	Documents annexed to the affidavit of Colonel Yogavelli Moodley, Service Head: Budget and Monitoring, Financial and Administration Services situated at the KZN SAPS Provincial Head Office
<b>A100</b>	Documents annexed to the affidavit of Mr Johannes Vusumuzi Ngubane, attached to the Organisational Development and Strategic Management Department and the minute taker during the Section 4 Meetings
<b>A101</b>	Preliminary Report: Commercial Crime Inquiry 07/05/2010



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**B Soccer World Cup Documents**

<b>Reference</b>	<b>Description</b>
<b>B1</b>	Composition of Section 4: Soccer World Cup 2010: Priority Committee-KwaZulu-Natal (42323).
<b>B2</b>	Cover page of lever arch file containing the section 4 Committee minutes (42322).
<b>B3</b>	Minutes of Section 4 Committee Meeting held on 9 March 2009 (42330).
<b>B4</b>	Minutes of Section 4 Committee Meeting held on 25 March 2009 (42334 5).
<b>B5</b>	Minutes of Section 4 Committee Meeting held on 13 July 2009 (42336 7).
<b>B6</b>	Minutes of Section 4 Committee Meeting held on 3 August 2009 (42338 40).
<b>B7</b>	Minutes of Section 4 Committee Meeting held on 7 September 2009 (42341 2).
<b>B8</b>	Minutes of Section 4 Committee Meeting held on 21 September 2009 (42343 4).
<b>B9</b>	Minutes of Section 4 Committee Meeting held on 28 September 2009 (42351 3).
<b>B10</b>	Minutes of Section 4 Committee Meeting held on 9 November 2009 (42357 9).
<b>B11</b>	Minutes of Section 4 Committee Meeting held on 18 November 2009 (42384 91).

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<b>Reference</b>	<b>Description</b>
<b>B12</b>	Minutes of Section 4 Committee Meeting held on 19 January 2010 (42366 71).
<b>B13</b>	Minutes of Section 4 Committee Meeting held on 25 January 2010 (42371 3).
<b>B14</b>	Minutes of Section 4 Committee Meeting held on 8 February 2010 (42374 5).
<b>B15</b>	Minutes of Section 4 Committee Meeting held on 15 February 2010 (42379 81).
<b>B16</b>	Minutes of Section 4 Committee Meeting held on 22 February 2010 (42376 8).
<b>B17</b>	Minutes of Section 4 Committee Meeting held on 8 March 2010 (42394 6).
<b>B18</b>	Minutes of Section 4 Committee Meeting held on 6 April 2010 (42397 – 42401).
<b>B19</b>	Minutes of Section 4 Committee Meeting held on 12 April 2010 (42402 10).
<b>B19a</b>	Letter from the Provincial Commissioners KwaZulu-Natal addressed to the Chairperson of the National Joins in Pretoria dated 12 April 2010 (42411 6).
<b>B20</b>	Minutes of Section 4 Committee Meeting held on 26 April 2010 (42425 7).
<b>B21</b>	Minutes of Section 4 Committee Meeting held on 3 May 2010 (42429 31).

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<b>Reference</b>	<b>Description</b>
<b>B22</b>	Minutes of Section 4 Committee Meeting held on 10 May 2010 (18409 11).
<b>B23</b>	Goldcoast Trading letter dated 16 October 2009 for the attention of SAPS or Charles Chauke (18440).
<b>B24</b>	Goldcoast Trading letter dated 22 October 2009 – Attention Colonel Madhoe (21021-2).
<b>B25</b>	Goldcoast Trading letter dated 9 May 2010 for the attention of SAPS Provincial Management and Colonel Madhoe regarding “Escort Deployment” (18412 3).
<b>B26</b>	Letter from the KwaZulu-Natal Provincial Commissioner dated 11 February 2009 (423325).
<b>B27</b>	Needs 2010 Soccer World Cup KwaZulu-Natal (42327 9).
<b>B28</b>	Letter from the KwaZulu-Natal Provincial Commissioner dated 20 April 2010 (42421 2).
<b>B29</b>	Needs 2010 Soccer World Cup KwaZulu-Natal (42419 20).
<b>B30</b>	Application for Soccer World Cup – Approval of Accommodation.
<b>B31</b>	Application for Soccer World Cup – Approval of Accommodation.
<b>B32</b>	Affidavit of Roshini Naidoo – Coastlands Hotels and Resorts.
<b>B32a</b>	Coastlands documentation supporting the outstanding payment of R306,200.
<b>B33</b>	Addendum Affidavit of Roshini Naidoo – Coastlands Hotels and Resorts.
<b>B34</b>	Letter from the KwaZulu-Natal Provincial Commissioner dated 8 October 2009 – Application for Authority: Accommodation for 2010: World Cup:

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<b>Reference</b>	<b>Description</b>
	Operational Deployment (18435 6).
<b>B35</b>	SAPS Written Price Quotation from Goldcoast Trading for R21,703,500 (18437 8).
<b>B36</b>	Goldcoast Trading letter dated 6 October 2009 re: Accommodation for the SAPS (18439).
<b>B37</b>	Goldcoast Trading letter dated 16 October 2009 for the attention of SAPS or Charles Chauke (18440).
<b>B38</b>	SAPS Written Price Quotation from Goldcoast Trading for the period 1 to 12 June 2010 (18441-2).
<b>B39</b>	SAPS Written Price Quotation for Holiday Inn for the period 1 to 12 June 2010 (18443 4).
<b>B40</b>	SAPS Written Price Quotation for the Blue Waters Hotel for the period 1 to 12 June 2010 (18447 8).
<b>B41</b>	SAPS Written Price Quotation for Pendlebury's for the period 1 to 12 June 2010 (18449 50).
<b>B42</b>	SAPS Written Price Quotation for Tropicana Hotel for the period 1 to 12 June 2010 (18451 2).
<b>B43</b>	SAPS Written Price Quotation for Southern Sun Hotel for the period 1 to 12 June 2010 (18453 4).
<b>B44</b>	SAPS Written Price Quotation for Coastlands for the period 1 to 12 June 2010 (18455 6).
<b>B45</b>	SAPS Written Price Quotation for Emakhosini Hotel for the period 1 to 12 June 2010 (18457 8).

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<b>Reference</b>	<b>Description</b>
<b>B46</b>	Information Note to the National Commissioner of the SAPS re: Application for Approval Accommodation & Meals for SA Police Service Members who will be deployed as the Soccer World Cup 2010 KwaZulu-Natal from 2010-05-31 to 2010-07-12 (000025 1-2).
<b>B47</b>	Submission to the Bidding Committee dated 4 June 2010 re: 11/1/3 (09/10): Application for Approval: Accommodation and Meals for SA Police Service Members who will be deployed at the soccer world cup 2010 in KwaZulu-Natal from 2010-05-31 to 2010-07-12 (000025 3-4).
<b>B48</b>	SAPS letter from the KwaZulu-Natal Provincial Commissioner addressed to the Divisional Commissioner Supply Chain Management in Pretoria dated 2 June 2010 re: Submission: Soccer World Cup 2010: Accommodation Needs” KwaZulu-Natal (000025 5-6).
<b>B49</b>	Annexure B (12) part 5 Urgent and Emergency Cases marked as annexure “B” (000025 7)
<b>B50</b>	SAPS letter to the Provincial Commissioner dated 26 May 2010 (000025 8-9).
<b>B51</b>	SAPS Written Price Quotation from Coastlands dated 15 May 2010 for R2,240,000 (000025 10-11).
<b>B52</b>	Tax Clearance Certificate for Coastlands (000025 12).
<b>B53</b>	SAPS Written Price Quotation from Pendlebury’s dated 26 May 2010 for R1,827,500 (000025 13-15).
<b>B54</b>	Tax Clearance Certificate for Pendlebury’s (000025 16).
<b>B55</b>	SAPS Written Price Quotation for Goldcoast Trading dated 27 May 2010 for R22,551,350; R3,451,000; and R1,985,600 (000025 17-22).

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<i>Reference</i>	<i>Description</i>
<b>B56</b>	Tax Clearance Certificate Goldcoast Trading (000025 23).



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**C Bank Documents**

<b>Reference</b>	<b>Description</b>
<b>C1</b>	Annexure not used.
<b>C2</b>	Nedbank Account No. 1442016728 for Goldcoast Trading CC.
<b>C2a</b>	PwC Analysis of the bank statements for the Nedbank Account No. 1442016728 for Goldcoast Trading.
<b>C2b</b>	Returned paid cheques drawn on Goldcoast Trading's Nedbank account No. 1442016728 located amongst the exhibits seized from Goldcoast Trading.
<b>C3</b>	ABSA Bank Account No. 4075017618 for Valotone 21 CC.
<b>C3a</b>	PwC analysis of the bank statements for the ABSA Bank account No. 4075017618 for Valotone 21 CC.
<b>C4</b>	ABSA Bank Account No.4075017197 for Bravosat 25 CC.
<b>C4a</b>	PwC Analysis of the bank statements for the ABSA Bank account No. 4075017197 for Bravosat 25 CC.
<b>C5</b>	FNB Account No. 62321345903 for Unite Mzansi Trading Projects CC.
<b>C6</b>	ABSA Account No. 4075205065 for Unite Mzansi Trading Projects CC.
<b>C6a</b>	PwC analysis of the bank statements for the ABSA Bank account No. 4075205065 for Unite Mzansi Trading Projects CC.
<b>C6</b>	FNB Account No. 62251113313 for Kaseev Traders CC.
<b>C7a</b>	PwC analysis of the bank statements for FNB account No. 4075205065 for Kaseev Traders CC.

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<b>Reference</b>	<b>Description</b>
<b>C8</b>	Standard Bank statements for account No. 252133412 for T Panday.
<b>C9</b>	ABSA Bank statements for account No. 4058448969 for T Panday.
<b>C10</b>	Diners Club statements for account No. 3613 577321 6 for T Panday.
<b>C11</b>	ABSA Bank statements for account No.4071945067 for the Thoshan Panday Family Trust.
<b>C11a</b>	PwC Analysis of the bank statements for the ABSA Bank account No. 4071945067 for Thoshan Family Trust.
<b>C12</b>	Nedbank statements for account No. 5898460804057768 for Mr Thoshan Panday.
<b>C13</b>	ABSA Bank statements for account No. 92 4511 0948 for Mr T Panday.
<b>C14</b>	FNB statements for account No. 50429038596 for Seevesh Ishwarkumar for the periods 31 December 2009 to 30 January 2010 (statement No. 94), 27 February 2010 to 31 March 2010 (statement No. 97), 31 March 2010 to 30 April 2010 (statement No.98) and 31 May 2010 to 30 June 2010 (statement No. 100).
<b>C15</b>	FNB statements for account No. 62254021878 for Seevesh Ishwarkumar being statement No 2 and 3 for the period 31 March 2010 to 30 September 2010.

## Chartered Accountant and Forensic Auditor

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**D Kaseev Traders**

<b>Reference</b>	<b>Description</b>			
<b>D1</b>	Experian Report on Kaseev Traders.			
<b>D1a</b>	Combined Affidavit / Certificate Pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 of Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission.			
<b>D2</b>	South African Police Supplier Application Form for Kaseev Traders.			
<b>D3</b>	Polfin Payments to Kaseev Traders.			
<b>D4</b>	PwC Analysis of Payments to Kaseev Traders.			
	Payment vouchers for Kaseev Traders			
	<b>Order Date</b>	<b>Order No</b>	<b>Date Paid</b>	<b>Amount (R)</b>
<b>D5</b>	07/05/2010	AD341779	01/06/2010	44,460.00
<b>D6</b>	20/05/2010	AD339900	01/06/2010	4,200.00
<b>D7</b>	06/05/2010	AD341735	01/06/2010	22,500.00
<b>D8</b>	06/05/2010	AD341737	01/06/2010	27,000.00
<b>D9</b>	06/05/2010	AD341739	01/06/2010	13,980.00
<b>D10</b>	06/05/2010	AD341740	01/06/2010	4,320.00
<b>D11</b>	07/05/2010	AD341778	01/06/2010	68,639.40
<b>D12</b>	07/05/2010	AD341780	01/06/2010	37,000.00
<b>D13</b>	07/05/2010	AD341781	01/06/2010	125,000.00
<b>D14</b>	07/05/2010	AD341795	17/06/2010	125,000.00
<b>D15</b>	08/05/2010	AD333664	28/07/2010	788,000.00
<b>D16</b>	13/07/2010	AE017157	28/07/2010	135,000.00
<b>D17</b>	15/07/2010	AE017155	30/07/2010	15,070.00
<b>D18</b>	15/07/2010	AE017158	30/07/2010	37,000.00

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## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

<b>Reference</b>	<b>Description</b>			
<b>D19</b>	23/07/2010	AE017159	06/08/2010	97,500.00
<b>D20</b>	23/07/2010	AE017160	30/07/2010	7,350.00
<b>D21</b>	Documents annexed to the affidavit of Bert Edward Schultz, the Risk manager of Makro.			
<b>D22</b>	Documents annexed to the affidavit of Amar Mundlal, a Store Manager at Hirsch Home Stores.			
<b>D23</b>	Documents annexed to the affidavit of Gary Dawson, Genlux Lighting.			
<b>D24</b>	Agreement of Sale between Constance Rolando and Seevesh Ishwarkumar and Kajal Panday for the purchase of an immovable property described as Erf 302 Mount Edgecombe.			
<b>D25</b>	Report of Debra Marise Oakley, a Social Worker in Private Practise, addressed to the Commissioner of Child Welfare.			
<b>D26</b>	Email from Denise Wolfe- Botha of the Financial Services Board addressed to <a href="mailto:thoshan.panday@momentum.co.za">thoshan.panday@momentum.co.za</a> dated 15 May 2008 re: licence certificate (FSP. 33571 – Thoshan Panday Financial Planning Solutions CC).			
<b>D27</b>	Email from Durate Veronica of Alexander Forbes addressed to <a href="mailto:thoshan.panday@momentum.co.za">thoshan.panday@momentum.co.za</a> dated 3 September 2009 re: Building Quote.			

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24 November 2014

**E Valotone 21 CC**

Reference	Description																																																															
E1	Experian Report on Valotone 21 CC.																																																															
E1a	Combined Affidavit / Certificate Pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 of Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission.																																																															
E2	South African Police Supplier Application Form for Valotone 21 CC.																																																															
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E4	PwC Analysis of Payments to Valotone 21 CC.																																																															
	<table><tr><th>Order Date</th><th>Order No</th><th>Order Amount</th></tr><tr><td>E5</td><td>15/12/2009</td><td>AC910584</td><td>147,000.00</td></tr><tr><td>E6</td><td>15/12/2009</td><td>AC910586</td><td>41,700.00</td></tr><tr><td>E7</td><td>15/12/2009</td><td>AC910589</td><td>59,700.00</td></tr><tr><td>E8</td><td>15/12/2009</td><td>AC910590</td><td>29,700.00</td></tr><tr><td>E9</td><td>15/12/2009</td><td>AC910592</td><td>117,000.00</td></tr><tr><td>E10</td><td>15/12/2009</td><td>AC910593</td><td>20,000.00</td></tr><tr><td>E11</td><td>15/12/2009</td><td>AC910595</td><td>99,900.00</td></tr><tr><td>E12</td><td>15/12/2009</td><td>AC910598</td><td>59,700.00</td></tr><tr><td>E13</td><td>26/01/2010</td><td>AD338740</td><td>100,000.00</td></tr><tr><td>E14</td><td>26/01/2010</td><td>AD338743</td><td>90,000.00</td></tr><tr><td>E15</td><td>26/01/2010</td><td>AD338745</td><td>91,050.00</td></tr><tr><td>E16</td><td>26/01/2010</td><td>AD338747</td><td>97,500.00</td></tr><tr><td>E17</td><td>26/01/2010</td><td>AD338749</td><td>1,900.00</td></tr><tr><td>E18</td><td>26/01/2010</td><td>AD339853</td><td>109,500.00</td></tr><tr><td>E19</td><td>09/02/2010</td><td>AD339863</td><td>120,000.00</td></tr></table>	Order Date	Order No	Order Amount	E5	15/12/2009	AC910584	147,000.00	E6	15/12/2009	AC910586	41,700.00	E7	15/12/2009	AC910589	59,700.00	E8	15/12/2009	AC910590	29,700.00	E9	15/12/2009	AC910592	117,000.00	E10	15/12/2009	AC910593	20,000.00	E11	15/12/2009	AC910595	99,900.00	E12	15/12/2009	AC910598	59,700.00	E13	26/01/2010	AD338740	100,000.00	E14	26/01/2010	AD338743	90,000.00	E15	26/01/2010	AD338745	91,050.00	E16	26/01/2010	AD338747	97,500.00	E17	26/01/2010	AD338749	1,900.00	E18	26/01/2010	AD339853	109,500.00	E19	09/02/2010	AD339863	120,000.00
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<b>Reference</b>	<b>Description</b>		
<b>E20</b>	09/02/2010	AD339864	15,000.00
<b>E21</b>	09/02/2010	AD339865	69,500.00
<b>E22</b>	09/02/2010	AD339866	120,000.00
<b>E23</b>	09/02/2010	AD339867	122,500.00
<b>E24</b>	09/02/2010	AD339868	166,500.00
<b>E25</b>	09/02/2010	AD339869	195,000.00
<b>E26</b>	09/02/2010	AD339871	33,000.00
<b>E27</b>	09/02/2010	AD339872	77,500.00
<b>E28</b>	09/02/2010	AD339873	45,000.00
<b>E29</b>	09/02/2010	AD339660	5,394.00
<b>E30</b>	09/02/2010	AD339663	12,959.64
<b>E31</b>	09/02/2010	AD339665	89,999.97
<b>E32</b>	05/05/2010	AD341729	24,000.00
<b>E33</b>	05/05/2010	AD341730	1,998.00
<b>E34</b>	05/05/2010	AD341732	10,788.00
<b>E35</b>	06/05/2010	AD341738	3,600.00
<b>E36</b>	05/05/2010	AD341763	1,097.25
<b>E37</b>	05/05/2010	AD341765	10,800.00
<b>E38</b>	05/05/2010	AD341766	16,800.00
<b>E39</b>	07/05/2010	AD341782	92,700.00
<b>E40</b>	07/05/2010	AD341783	92,700.00
<b>E41</b>	07/05/2010	AD341784	85,560.00
<b>E42</b>	07/05/2010	AD341785	89,100.00
<b>E43</b>	07/05/2010	AD341786	145,425.00
<b>E44</b>	07/05/2010	AD341787	46,012.50
<b>E45</b>	07/05/2010	AD341788	47,040.00
<b>E46</b>	07/05/2010	AD341789	75,000.00
<b>E47</b>	07/05/2010	AD341790	44,500.00
<b>E48</b>	07/05/2010	AD341791	42,000.00
<b>E49</b>	07/05/2010	AD341792	92,000.00

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References in the margin refer as follows:

(A - F) prefix - Annexure Number

Page (xxv)

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24 November 2014

<b>Reference</b>	<b>Description</b>		
<b>E50</b>	07/05/2010	AD341793	99,840.00
<b>E51</b>	07/05/2010	AD341794	99,840.00
<b>E52</b>	15/07/2010	AE017151	52,400.00
<b>E53</b>	15/07/2010	AE017152	53,000.00
<b>E54</b>	15/07/2010	AE017153	120,000.00
<b>E55</b>	23/07/2010	AE017163	4,000.00
<b>E56</b>	29/07/2010	AE017181	28,500.00
<b>E57</b>	Documents annexed to the affidavit of Louisa Jane Els of Imperial Armour.		
<b>E58</b>	Documents annexed to the affidavit of Amar Mundlal of Hirsch Home Store.		
<b>E59</b>	Documents annexed to the affidavit of Douglas Fraser of Hire It (Pty) Ltd.		
<b>E60</b>	Documents annexed to the affidavit of Lee Arjunun of Wysalls (Pty) Ltd.		
<b>E61</b>	Documents annexed to the affidavit of Drene Priscilla Charmaine Herbert of Lightsaver (Pty) Ltd.		
<b>E62</b>	Documents annexed to the affidavit of Karam Soorjbully of Natal Caravans and Marine.		
<b>E63</b>	Documents annexed to the affidavit of Mbalenhle Shozi of ZZZ Promotions.		
<b>E64</b>	Documents annexed to the affidavit of Desmond Joseph of Gateway Steel.		
<b>E65</b>	Documents annexed to the affidavit of Gerhard Mans of Kwando Systems.		
<b>E66</b>	Documents annexed to the affidavit of Fiona Roden of Doculam.		
<b>E67</b>	Documents annexed to the affidavit of Michael Bernard Levitan of Spark & Ellis (Pty) Ltd.		

24 November 2014

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<b>Reference</b>	<b>Description</b>
<b>E68</b>	Documents annexed to the affidavit of Robert John Duk of Bamar (Pty) Ltd.



## Chartered Accountant and Forensic Auditor

State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

**F Bravosat 25 CC**

Reference	Description																																																											
F1	Experian Report on Bravosat 25CC.																																																											
F1a	Combined Affidavit / Certificate Pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 of Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission.																																																											
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	Payment documents for Bravosat 25 CC as detailed hereunder:																																																											
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F17	26/01/2010	AD339852	23,000.00																																																									
F18	26/01/2010	AD339854	109,500.00																																																									

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## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

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<b>Reference</b>	<b>Description</b>		
<b>F19</b>	09/02/2010	AD339874	49,500.00
<b>F20</b>	09/02/2010	AD339875	99,500.00
<b>F21</b>	09/02/2010	AD339876	95,000.00
<b>F22</b>	09/02/2010	AD339877	25,000.00
	<b>Order Date</b>	<b>Order No</b>	<b>Amount ( R )</b>
<b>F23</b>	09/02/2010	AD339878	120,000.00
<b>F24</b>	09/02/2010	AD339879	122,500.00
<b>F25</b>	09/02/2010	AD339880	166,500.00
<b>F26</b>	09/02/2010	AD339881	155,000.00
<b>F27</b>	09/02/2010	AD339882	99,500.00
<b>F28</b>	09/02/2010	AD339656	9,576.00
<b>F29</b>	09/02/2010	AD339657	21,570.00
<b>F30</b>	09/02/2010	AD339658	20,609.82
<b>F31</b>	09/02/2010	AD339659	39,588.00
<b>F32</b>	09/02/2010	AD339661	6,599.88
<b>F33</b>	09/02/2010	AD339662	17,887.00
<b>F34</b>	09/02/2010	AD339664	4,788.00
<b>F35</b>	Documents annexed to the affidavit of Douglas Fraser of Hire It (Natal (Pty) Ltd.		
<b>F36</b>	Documents annexed to the affidavit of Lee Arjunun of Whysalls (Pty) Ltd.		
<b>F37</b>	Documents annexed to the affidavit of Amar Mundlal of Hirsch Home Store.		
<b>F38</b>	Documents annexed to the affidavit of Gernot Knomoser of Global Armour.		
<b>F39</b>	Documents annexed to the affidavit of Louisa Jane Els of Imperial Armour.		

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Chartered Accountant and Forensic Auditor

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<i>Reference</i>	<i>Description</i>
<b>F40</b>	Documents annexed to the affidavit of Bert Edward Schultz of Makro.





## Chartered Accountant and Forensic Auditor

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**G Unite Mzansi Trading**

<b>Reference</b>	<b>Description</b>		
<b>G1</b>	Experian Report on Unite Mzansi Trading and Projects CC.		
<b>G1a</b>	Combined Affidavit / Certificate Pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 of Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission.		
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<b>G3</b>	Polfin Payments to Unite Mzansi Trading and Projects CC.		
<b>G4</b>	PwC Analysis of Payments to Unite Mzansi Trading and Projects CC.		
	Payment documents for Unite Mzansi Trading and Projects CC as detailed hereunder:		
	<b>Order Date</b>	<b>Order No</b>	<b>Amount</b>
<b>G5</b>	05/02/2010	AD339888	198,765.00
<b>G6</b>	05/05/2010	AD341727	14,288.76
<b>G7</b>	05/05/2010	AD341733	6,900.00
<b>G8</b>	05/05/2010	AD341764	18,000.00
<b>G9</b>	05/05/2010	AD341767	2,212.74
<b>G10</b>	05/05/2010	AD341768	2,455.56
<b>G11</b>	07/05/2010	AD341773	142,500.00
<b>G12</b>	07/05/2010	AD341774	195,000.00
<b>G13</b>	07/05/2010	AD341775	48,000.00
<b>G14</b>	07/05/2010	AD341776	76,000.00
<b>G15</b>	07/05/2010	AD341777	142,500.00
<b>G16</b>	15/07/2010	AE017154	16,500.00

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<b>Reference</b>	<b>Description</b>
<b>G17</b>	Documents annexed to the affidavit of Colin Naidoo of Europcar Rentals.
<b>G18</b>	Documents annexed to the affidavit of Rodric Royan Appialsamy of Thrifty Car Rental.
<b>G19</b>	Documents annexed to the affidavit of Amar Mundlal of Hirsch Home Store.
<b>G20</b>	Documents annexed to the affidavit of Yvonne Holmes of Snippets Hampers.
<b>G21</b>	Documents annexed to the affidavit of Thavanathan Pillay of Classic Fire & Plumbing.
<b>G22</b>	Documents annexed to the affidavit of Rennette Van Der Merwe of Budget Car Rentals.

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**H Gold Coast Trading**

<b>Reference</b>	<b>Description</b>				
<b>H1</b>	Experian Report on Goldcoast Trading.				
<b>H1a</b>	Combined Affidavit / Certificate Pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 of Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission.				
<b>H2</b>	South African Police Supplier Application Form for Goldcoast Trading.				
<b>H3</b>	Polfin Payments to Goldcoast Trading.				
<b>H4</b>	Annexure number not used.				
<b>H5</b>	PwC Analysis of Payments to Goldcoast Trading for the procurement of Goods and equipment.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H6</b>	AD336684	02/12/2009	17/12/2009	22/12/2009	24,500
<b>H7</b>	AD337271	22/10/2009	05/11/2009	20/11/2009	28,800
<b>H8</b>	AD337283	16/11/2009	03/12/2009	08/12/2009	48,900
<b>H9</b>	AD338742	26/01/2010	07/04/2010	09/04/2010	93,250
<b>H10</b>	AD339851	26/01/2010	07/04/2010	09/04/2010	4,000
<b>H11</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members during the Soccer World Cup.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H12a 19</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	10,200
<b>H12a 20</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	134,300
<b>H12a 21</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,880,400
<b>H12a 22</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	2,640,600
<b>H12a 23</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,342,700

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<b>Reference</b>	<b>Description</b>				
<b>H12a 24</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,866,300
<b>H12a 25</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	790,500
<b>H12a 26</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	2,766,400
<b>H12a 27</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,726,050
<b>H12a 28</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	2,816,550
<b>H12a 13</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,742,200
<b>H12a 14</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	2,613,300
<b>H12a 15</b>	AD333657	25/06/2010	08/07/2010	13/07/2010	1,742,200
<b>H12a 7</b>	AD333657	25/06/2010	28/07/2010	30/07/2010	1,904,400
<b>H12a 8</b>	AD333657	25/06/2010	28/07/2010	30/07/2010	1,291,150
<b>H12a 9</b>	AD333657	25/06/2010	28/07/2010	30/07/2010	892,500
<b>H13</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Durban.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H14</b>	AC910570	10/11/2009	19/11/2009	24/11/2009	131,250
<b>H15</b>	AD339685	19/04/2010	22/04/2010	28/04/2010	31,600
<b>H16</b>	AD339686	19/04/2010	22/04/2010	28/04/2010	28,000
<b>H17</b>	AD339965	16/04/2010	22/04/2010	28/04/2010	199,800
<b>H18</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Durban North.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H19</b>	AD341711	22/04/2010	06/05/2010	11/05/2010	112,500
<b>H20</b>	AD341712	22/04/2010	06/05/2010	11/05/2010	105,000
<b>H21</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Estcourt.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H22</b>	AD336693	16/04/2010	22/04/2010	28/04/2010	73,500
<b>H23</b>	AD336694	16/04/2010	22/04/2010	28/04/2010	73,500

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<b>Reference</b>	<b>Description</b>				
<b>H24</b>	AD338703	22/12/2009	04/01/2010	05/01/2010	181,140
<b>H25</b>	AD338704	22/12/2009	04/01/2010	05/01/2010	30,190
<b>H26</b>	AD338705	22/12/2009	04/01/2010	05/01/2010	61,600
<b>H27</b>	AD338707	22/12/2009	04/01/2010	05/01/2010	73,500
<b>H28</b>	AD338718	04/01/2010	24/02/2010	01/03/2010	73,500
<b>H29</b>	AD338721	04/01/2010	24/02/2010	01/03/2010	73,500
<b>H30</b>	AD338730	13/01/2010	24/02/2010	01/03/2010	73,500
<b>H31</b>	AD338737	19/01/2010	24/02/2010	01/03/2010	73,500
<b>H32</b>	AD339681	16/04/2010	22/04/2010	28/04/2010	118,800
<b>H33</b>	AD339682	16/04/2010	22/04/2010	28/04/2010	137,940
<b>H34</b>	AD339687	19/04/2010	22/04/2010	28/04/2010	113,400
<b>H35</b>	AD339966	16/04/2010	22/04/2010	28/04/2010	73,500
<b>H36</b>	AD339967	16/04/2010	22/04/2010	28/04/2010	73,500
<b>H37</b>	AD339968	16/04/2010	22/04/2010	28/04/2010	73,500
<b>H38</b>	AD339969	16/04/2010	22/04/2010	28/04/2010	73,500
<b>H39</b>	AD341708	22/04/2010	06/05/2010	11/05/2010	75,600
<b>H40</b>	AD341751	22/04/2010	06/05/2010	11/05/2010	75,600
<b>H41</b>	AD341752	22/04/2010	06/05/2010	11/05/2010	75,600
<b>H42</b>	AD341754	22/04/2010	06/05/2010	11/05/2010	27,300
<b>H43</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Gamalakhe.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H44</b>	AD336696	16/04/2010	22/04/2010	28/04/2010	120,000
<b>H45</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Greytown.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H46</b>	AC910575	24/11/2009	17/12/2009	22/12/2009	131,600
<b>H47</b>	AC910582	11/12/2009	22/12/2009	24/12/2009	127,400
<b>H48</b>	AD338708	22/12/2009	04/01/2010	05/01/2010	127,400
<b>H49</b>	AD338709	22/12/2009	04/01/2010	05/01/2010	135,800
<b>H50</b>	AD338719	04/01/2010	24/02/2010	01/03/2010	126,000

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<b>Reference</b>	<b>Description</b>				
<b>H51</b>	AD338722	04/01/2010	24/02/2010	01/03/2010	126,000
<b>H52</b>	AD338732	13/01/2010	24/02/2010	01/03/2010	126,000
<b>H53</b>	AD338738	19/01/2010	24/02/2010	01/03/2010	126,000
<b>H54</b>	AD339692	21/04/2010	22/04/2010	28/04/2010	126,000
<b>H55</b>	AD339693	21/04/2010	22/04/2010	28/04/2010	126,000
<b>H56</b>	AD339698	21/04/2010	22/04/2010	28/04/2010	126,000
<b>H57</b>	AD339985	22/04/2010	06/05/2010	11/05/2010	108,000
<b>H58</b>	AD339986	22/04/2010	06/05/2010	11/05/2010	126,000
<b>H59</b>	AD339987	22/04/2010	06/05/2010	11/05/2010	126,000
<b>H60</b>	AD339988	22/04/2010	06/05/2010	11/05/2010	126,000
<b>H61</b>	AD339989	22/04/2010	06/05/2010	11/05/2010	126,000
<b>H62</b>	AD341707	21/04/2010	22/04/2010	28/04/2010	126,000
<b>H63</b>	AD341710	22/04/2010	06/05/2010	11/05/2010	126,000
<b>H64</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments at Ingwenyama Conference and Sports Resort.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H65</b>	AD339990	22/04/2010	06/05/2010	11/05/2010	20,400
<b>H66</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Ladysmith.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H67</b>	AD336697	16/04/2010	22/04/2010	28/04/2010	172,800
<b>H68</b>	AD341709	22/04/2010	06/05/2010	11/05/2010	113,400
<b>H69</b>	AD341755	22/04/2010	06/05/2010	11/05/2010	194,400
<b>H70</b>	AD341756	22/04/2010	06/05/2010	11/05/2010	194,400
<b>H71</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Newcastle.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H72</b>	AD339694	21/04/2010	22/04/2010	28/04/2010	138,530

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<b>Reference</b>	<b>Description</b>				
<b>H73</b>	AD339695	21/04/2010	22/04/2010	28/04/2010	138,530
<b>H74</b>	AD339982	21/04/2010	22/04/2010	28/04/2010	118,740
<b>H75</b>	AD339983	21/04/2010	22/04/2010	28/04/2010	138,530
<b>H76</b>	AD339984	21/04/2010	22/04/2010	28/04/2010	138,530
<b>H77</b>	AD341703	20/04/2010	22/04/2010	28/04/2010	118,740
<b>H78</b>	AD341704	20/04/2010	22/04/2010	28/04/2010	138,530

<b>H79</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Nongoma.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H80</b>	AC910554	26/10/2009	05/11/2009	20/11/2009	133,280
<b>H81</b>	AC910564	05/11/2009	19/11/2009	24/11/2009	66,640
<b>H82</b>	AC910565	05/11/2009	19/11/2009	24/11/2009	146,688
<b>H83</b>	AC910572	13/11/2009	03/12/2009	08/12/2009	163,800
<b>H84</b>	AC910574	24/11/2009	03/12/2009	08/12/2009	149,760
<b>H85</b>	AC910581	11/12/2009	17/12/2009	22/12/2009	131,040
<b>H86</b>	AC910583	11/12/2009	17/12/2009	22/12/2009	131,040
<b>H87</b>	AD338713	22/12/2009	04/01/2010	05/01/2010	131,600
<b>H88</b>	AD338727	04/01/2010	24/02/2010	01/03/2010	131,040
<b>H89</b>	AD338728	04/01/2010	24/02/2010	01/03/2010	131,040
<b>H90</b>	AD338729	11/01/2010	24/02/2010	01/03/2010	131,040
<b>H91</b>	AD338733	13/01/2010	24/02/2010	01/03/2010	131,040
<b>H92</b>	AD338739	19/01/2010	24/02/2010	01/03/2010	131,040
<b>H93</b>	AD339683	29/01/2010	22/04/2010	28/04/2010	131,040
<b>H94</b>	AD339684	21/01/2010	22/04/2010	28/04/2010	131,040
<b>H95</b>	AD339688	20/04/2010	22/04/2010	28/04/2010	131,040
<b>H96</b>	AD339689	20/04/2010	22/04/2010	28/04/2010	131,040
<b>H97</b>	AD339690	20/04/2010	22/04/2010	28/04/2010	131,040
<b>H98</b>	AD339691	20/04/2010	22/04/2010	28/04/2010	112,320
<b>H99</b>	AD339978	21/04/2010	22/04/2010	28/04/2010	131,040
<b>H100</b>	AD339979	20/04/2010	22/04/2010	28/04/2010	131,040
<b>H101</b>	AD339981	20/04/2010	22/04/2010	28/04/2010	131,040
<b>H102</b>	AD341706	21/04/2010	22/04/2010	28/04/2010	131,040

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References in the margin refer as follows:

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<b>H103</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Pinetown.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H104</b>	AC910573	24/11/2009	03/12/2009	08/12/2009	29,970
<b>H105</b>	AD336695	16/04/2010	22/04/2010	28/04/2010	119,880

<b>H106</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Pongola.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H107</b>	AC910552	08/10/2009	05/11/2009	20/11/2009	240,375
<b>H108</b>	AC910569	10/11/2009	03/12/2009	08/12/2009	196,000
<b>H109</b>	AD337273	27/10/2009	19/11/2009	24/11/2009	194,000
<b>H110</b>	AD338701	22/12/2009	04/01/2010	05/01/2010	181,875
<b>H111</b>	AD338702	22/12/2009	04/01/2010	05/01/2010	36,375
<b>H112</b>	AD341748	07/06/2010	17/06/2010	22/06/2010	196,000
<b>H113</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Stanger.				
	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H114</b>	AD341702	15/04/2010	22/04/2010	28/04/2010	94,600

<b>H115</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Sundumbili.				
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	<b>Order No</b>	<b>Order Date</b>	<b>Date Paid</b>	<b>Date Deposited</b>	<b>Amount</b>
<b>H116</b>	AD338710	22/12/2009	04/01/2010	05/01/2010	116,865
<b>H117</b>	AD338711	22/12/2009	04/01/2010	05/01/2010	116,865
<b>H118</b>	AD338712	22/12/2009	04/01/2010	05/01/2010	110,250
<b>H119</b>	AD338723	04/01/2010	24/02/2010	01/03/2010	110,250

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References in the margin refer as follows:

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	Order No	Order Date	Date Paid	Date Deposited	Amount
<b>H120</b>	AD338720	04/01/2010	24/02/2010	01/03/2010	110,250
<b>H121</b>	AD338731	13/01/2010	24/02/2010	01/03/2010	110,250
<b>H122</b>	AD338736	19/01/2010	24/02/2010	01/03/2010	110,250
<b>H123</b>	AD338699	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H124</b>	AD338698	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H125</b>	AD336700	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H126</b>	AD336699	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H127</b>	AD336698	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H128</b>	AD339976	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H129</b>	AD339974	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H130</b>	AD339975	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H131</b>	AD339973	19/04/2010	22/04/2010	28/04/2010	110,250
<b>H132</b>	AD339972	19/04/2010	22/04/2010	28/04/2010	94,500
<b>H133</b>	AE017172	26/07/2010	06/08/2010	11/08/2010	170,800
<b>H134</b>	PwC Analysis of Payments to Goldcoast Trading for the payment accommodation of members for the KwaZulu-Natal deployments in Ulundi.				
	Order No	Order Date	Date Paid	Date Deposited	Amount
<b>H135</b>	AD341701	20/04/2010	22/04/2010	28/04/2010	146,400
<b>H136</b>	AD341753	22/04/2010	06/05/2010	11/05/2010	170,800
<b>H137</b>	Documents relating to an unpaid Goldcoast Trading Invoice No. 100228 for 32,760 as detailed hereunder:				
	(i) First page titled "Nongoma Extention" [sic] from 28 May 2010 to 4 June 2010 ( <b>Document No. 14715</b> );				
	(ii) Submission from the SCM Provincial Commissioner's Office in KwaZulu-Natal dated 28 May 2010 addressed to the Section Head of SCM Acquisition Management ( <b>Document No. 14716</b> );				

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	Order No	Order Date	Date Paid	Date Deposited	Amount
	(iii)	Interoffice Memo marked for the attention of Madhoe from the Provincial Commander Operational Response Services KwaZulu-Natal ( <b>Document No. 14718</b> );			
	(iv)	A letter from the Unit Commander of the Public Order Police Durban dated 28 May 2010 ( <b>Document No. 14721</b> );			
	(v)	A letter from the Office of the Provincial Commander Operational Response Services KwaZulu-Natal dated 26 May 2010 re: Deployment of ORS (KZN) Personnel ( <b>Document No. 14722 24</b> );			
	(vi)	Goldcoast Trading Invoice No. 100228 for R32,760 ( <b>Document No.14725</b> );			
	(vii)	Goldcoast Trading quotation dated 25 May 2010 ( <b>Document No. 14726</b> );			
	(viii)	Brakenshaw Investments (Pty) Ltd quotation No. 193 dated 25 May 2010 for R35,900 ( <b>Document No. 14727</b> );			
	(ix)	PBC Accommodation Specialist quotation No. MA30 dated 25 May 2010 ( <b>Document No. 14728</b> );			
H138	Documents relating to an unpaid Goldcoast Trading Invoice No. 100198 for 32,760 as detailed hereunder:				
H138	(i)	First page titled “Nongoma (8) (Extention)” [sic] from 7 May 2010 to 14 May 2010 ( <b>Document No. 14729</b> );			
	(ii)	Submission from the SCM Provincial Commissioner’s Office in KwaZulu-Natal dated 7 May 2010 addressed to the Section Head of SCM Acquisition Management ( <b>Document No. 14730\1</b> );			

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	Order No	Order Date	Date Paid	Date Deposited	Amount
	(iii)	Goldcoast Trading quotation dated 4 May 2010 ( <b>Document No. 14732</b> );			
	(iv)	Goldcoast Trading Invoice No. 100198 for R32,760 ( <b>Document No.14733</b> );			
	(v)	Brakenshaw Investments (Pty) Ltd quotation No. 190 dated 4 May 2010 for R36,760 ( <b>Document No. 14727</b> );			
	(vi)	Launchzone Travel Solutions quotation No. 100 dated 4 May 2010 for R40,500 ( <b>Document No. 14735</b> );			
	(vii)	Letter from the Office of the Provincial Commander Operational Response Services KwaZulu-Natal dated 7 May 2010: re “Detachment Duties: POP members: Taxi Conflict: Nongoma Area: From Friday 2010-05-07 to Friday 2010-05-14” ( <b>Document No. 14736</b> ); and			
	(viii)	Schedule of Police Members ( <b>Document No. 14738</b> ).			
<b>H139</b>	Documents relating to an unpaid Goldcoast Trading Invoice No. 100102 for R150,000 as detailed hereunder:				
	(i)	First page titled “Nongoma & Ulundi (SAO)” from 26 February 2010 to 28 February 2010 ( <b>Document No. 14739</b> );			
	(ii)	An unsigned submission from the Provincial Commissioner’s Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14740</b> );			
	(iii)	Goldcoast Trading Invoice No. 100102 for R150,000 ( <b>Document No. 14741</b> );			

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	Order No	Order Date	Date Paid	Date Deposited	Amount
	(iv)	Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14742</b> );			
	(v)	Rocksteel Investments (Pty) Ltd quotation No. 248 dated 22 February 2010 ( <b>Document No. 14743</b> );			
	(vi)	Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14744</b> ).			
H140	Documents relating to an unpaid Goldcoast Trading Invoice No. 100101 for R185,00 as detailed hereunder:				
	(i)	An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14745</b> );			
	(ii)	Goldcoast Trading Invoice No. 100101 for R185,000 ( <b>Document No. 14746</b> );			
	(iii)	Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14747</b> );			
	(iv)	Rocksteel Investments quotation No. 247 dated 22 February 2010 ( <b>Document No. 14748</b> );			
	(v)	Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14749</b> ).			
H141	Documents relating to an unpaid Goldcoast Trading Invoice No. 100100 for R184,600 as detailed hereunder:				
	(i)	An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14750</b> );			

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References in the margin refer as follows:

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	Order No	Order Date	Date Paid	Date Deposited	Amount
	(ii)	Goldcoast Trading Invoice No. 100100 for R184,600 ( <b>Document No. 14751</b> );			
	(iii)	Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14752</b> );			
	(iv)	Pearl Star Investments 246 quotation dated 22 February 2010 (Document No. <b>14753</b> ).			
	(v)	P.B.C Accommodation Specialist quotation No. Feb129 dated 22 February 2010 ( <b>Document No. 14754</b> );			
<b>H142</b>	Documents relating to an unpaid Goldcoast Trading Invoice No. 100103 for R91,600 as detailed hereunder:				
	(i)	An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14755</b> );			
	(ii)	Goldcoast Trading Invoice No. 100103 for R91,600 ( <b>Document No. 14756</b> );			
	(iii)	Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14757</b> );			
	(iv)	Rocksteel Investments (Pty) Ltd quotation No 249. dated 22 February 2010 ( <b>Document No. 14758</b> );			
	(v)	Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14759</b> ).			
<b>H143</b>	Documents relating to an unpaid Goldcoast Trading Invoice No. 10099 for R199,400 as detailed hereunder:				

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	Order No	Order Date	Date Paid	Date Deposited	Amount
	(i)	An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14760</b> );			
	(ii)	Goldcoast Trading Invoice No. 10099 for R199,400 ( <b>Document No. 14761</b> );			
	(iii)	Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14762</b> );			
	(iv)	Rocksteel Investments (Pty) Ltd quotation No 250. dated 22 February 2010 ( <b>Document No. 14763</b> );			
	(v)	Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14764</b> ).			
<b>H144</b>	Experian Report on Brakenshaw Investments (Pty) Ltd with registration No. 2004/030817/07.				

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**A. AUTHOR'S DETAILS****1.000 Name**

1.001 Trevor Sean White.

**2.000 Personal details**

2.001 I am a male with South African identity number 661124 5014 087, 48 years old. I am a director of PricewaterhouseCoopers, 102 Stephen Dlamini Road, Durban, South Africa with telephone number +27 (31) 271 2020.

**3.000 Experience and qualifications**

3.001 I joined Price Waterhouse in 1989, and was admitted as a director of PricewaterhouseCoopers on 1 July 1998, following the merger of Price Waterhouse and Coopers and Lybrand. I am presently the partner in charge of the Forensic Investigations Department of PricewaterhouseCoopers in KwaZulu-Natal, South Africa.

3.002 I have conducted numerous fraud investigations for both public and private sector clients and have given evidence in the Lesotho High Court and the South African High Court and Regional Court. I have also presented evidence to a Commission of Enquiry, the Commission for Conciliation, Mediation and Arbitration (**CCMA**) and at various disciplinary hearings. I am trained in auditing techniques and hold a Bachelor of Commerce degree (1987) and Post Graduate Diploma in Accountancy (1989) from the former University of Natal Durban. I was also admitted as a member of the South African Institute of Chartered Accountants in 1992. I am a Certified Fraud Examiner, being admitted as a full member of the Association of Certified Fraud Examiners, a Texas based organisation, in 1998. I have been involved in a number of business valuations and performance audits. My specialist field is Forensic Auditing and as such I have extensive experience in analysing, reviewing and verifying financial information and accounting records. I have also chaired three Investigative Commissions of Enquiry into fraud and corruption in

Swaziland.

## **B. MANDATE AND ISSUES TO BE INVESTIGATED**

### **4.000 Appointment**

4.001 PricewaterhouseCoopers (**PwC**) was appointed by the South African Police Services (**SAPS**) to perform a forensic investigation into suspected procurement fraud and corruption within their Supply Chain Management (**SCM**) Division regarding various payments made to Thoshan Panday (**Panday**) or any of his related companies and to prepare a forensic accounting report required for purposes of criminal prosecution.

4.002 I was not required to and did not undertake an audit in terms of International Standards on Auditing. The scope of my work was limited to a review of the documentary evidence made available to me and enquiries undertaken to address issues identified in the execution of the investigation undertaken. I have not verified the authenticity or validity of the records and documents provided to me, unless otherwise stated.

4.003 I have included information relevant to the investigation and related circumstances but cannot conclude on the completeness of such information as the possibility exists that not all-relevant information and documentation was made available to me. Any document or information brought to my attention subsequent to the date of this report, which will affect the findings detailed herein, will require my findings to be adjusted and qualified accordingly.

4.004 This report contains hearsay evidence based on interviews conducted with individuals and affidavits taken by the SAPS. I deem the inclusion of the aforementioned evidence to be appropriate to sketch the full picture of the allegations raised.

**5.000 Background**

5.001 The SAPS made various payments to Panday and his related entities for services ranging from accommodation to equipment. The contracts awarded to Panday's companies are alleged to have been made without following proper procurement procedures in that responsible officials within the SAPS failed to call for competitive quotes as required in terms of the SCM policy; whilst it has also been alleged that the prices tendered have been inflated, in some instances as much as 400% and that officials in the SAPS have been given benefits by Panday or his related entities.

5.002 Panday's alleged related companies include the following entities:

- i) Goldcoast Trading CC (CK2006/090013/23) (**Goldcoast**);
- ii) Unite Mzansi Trading and Projects CC (CK2010/003771/23) (**Unite Mzansi Trading**);
- iii) Bravosat 25 CC (CK2009/054354/23) (**Bravosat 25 CC**);
- iv) Valotone 21CC (CK2009/005565/23) (**Valotone 21 CC**); and
- v) Kaseev Traders CC (CK2010/000129/23) (**Kaseev Traders**).

**6.000 Issues addressed in my investigation**

6.001 This report focuses on documentary evidence provided by the SAPS which documents have been acquired from the SAPS SCM Division, Operational Response Services (**ORS**), Goldcoast Trading, Unite Mzansi Trading, Kaseev Traders, Bravosat 25 CC, Valotone 21 CC and the residence of Panday in addition to the bank accounts of the aforementioned entities.

**C. OBJECTIVE OF REPORT****7.000 Purpose and objective of the report**

- 7.001 This report has been prepared for the use in the criminal matter registered with the SAPS and in any Asset Forfeiture proceedings that the Asset Forfeiture Unit may initiate. It may also, with the prior written consent of the Director of Public Prosecutions, be used in any civil or disciplinary proceedings that the SAPS may wish to initiate. It may not be suitable for any other purpose and it should not be used, reproduced, or circulated for any other purpose without my prior written consent. It should be a condition of such consent, if given, that PwC and myself accept no responsibility to that third party and that such third party will hold PwC and myself harmless in respect of any consequences of such disclosure. Whether or not I have given consent, PwC and myself will not accept liability or responsibility to any other party who may gain access to this report.

**D. BASIS OF INVESTIGATION****8.000 Execution of fieldwork and gathering of information**

- 8.001 Members of my staff have assisted me in the execution of fieldwork and gathering of information necessary to compile this report, however, where an opinion is expressed in this report it is my own opinion.

**9.000 Sources of Information**

- 9.001 The sources of information used to compile this report were the following:

- i) SAPS Supply Chain Management Policy;
- ii) Bank statements obtained from various Banks on the authority of subpoena's in terms of section 205 of the Criminal Procedure Act, 51 of 1977;
- iii) Images of various computers that were made by the SAPS Cyber Crime Unit;



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- iv) Documentary evidence obtained from the SAPS which were obtained from various places as detailed hereunder:

PwC ID	Volume No.	Description 1	From	To
1	1	ORS	0	297
2	2	ORS	298	525
3	3	ORS	526	912
4	4	ORS	913	1192
5	5	ORS	1193	1408
6	6	ORS	1409	1612
7	7	ORS	1613	1867
8	8	ORS	1868	2324
9	9	ORS	2325	2750
10	10	ORS	2751	3167
11	11	ORS	3168	3569
12	12	ORS	3577	3915
13	13	ORS	3916	4318
14	14	Pendleburys	4319	4714
15	15	Pendleburys	4715	5020
16	16	Pendleburys	5021	5426
17	17	Pendleburys	5427	5837
18	18	Pendleburys	6205	6513
19	19	Pendleburys	5838	6204
20	20	Pendleburys	6514	6888
21	21	Pendleburys	6889	7315
22	22	Pendleburys	7316	7588
23	23	Pendleburys	7589	8019
24	24	Pendleburys	8020	8437
25	25	Pendleburys	8438	8918
26	26	Pendleburys	8919	9236
27	27	Pendleburys	9237	9540
28	28	Pendleburys	9541	9826
29	29	Pendleburys	9827	10234
30	30	Pendleburys	10235	10650
31	31	Pendleburys	10651	11080
32	31A	Pendleburys	11801	11366
33	32	Finance	11367	11624
35	33	Finance	11625	12158
36	34	Finance	12159	12636
37	35	Finance	12637	12879
38	36	Finance	12880	13192
39	37	SCM	13193	13592
41	38	SCM	13593	13947
47	39	SCM	13948	14166
48	40	SCM	14167	14550
49	41	SCM	14551	14950
50	42	SCM	14951	15382

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PwC ID	Volume No.	Description 1	From	To
52	43	SCM	15383	15782
54	44	SCM	15783	16182
55	45	SCM	16183	16585
58	46	SCM	16586	16685
62	47	SCM	16686	17101
63	48	SCM	17102	17206
64	49	SCM	17207	17675
65	50	SCM	17676	18141
66	51	SCM	18142	18462
72	52	SCM	18463	18567
73	53	Goldcoast Trading cc	18508	19025
74	54	Goldcoast Trading cc	19026	19238
75	55	Goldcoast Trading cc	19239	19412
76	56	Goldcoast Trading cc	19413	19543
78	57	Goldcoast Trading cc	19544	19801
83	58	Goldcoast Trading cc	19802	20052
84	59	Goldcoast Trading cc	20053	20242
85	60	Goldcoast Trading cc	20243	20579
86	61	Goldcoast Trading cc	20580	20945
87	62	Goldcoast Trading cc	20946	21310
88	63	Goldcoast Trading cc	21311	21647
89	64	Goldcoast Trading cc	21348	21957
90	65	Goldcoast Trading cc	21958	22246
91	66	Goldcoast Trading cc	22247	22662
92	67	Goldcoast Trading cc	22663	22901
94	68	Goldcoast Trading cc	22902	23108
95	69	Goldcoast Trading cc	23109	23424
96	70	Goldcoast Trading cc	23425	23657
98	71	Goldcoast Trading cc	23658	23793
100	72	Goldcoast Trading cc	23794	24050
101	73	Goldcoast Trading cc	24051	24445
102	74	Goldcoast Trading cc	24446	24578
103	75	Goldcoast Trading cc	24957	24983
104	76	Goldcoast Trading cc	24984	25362
105	77	Goldcoast Trading cc	25363	25771
106	78	14 Blemheim Court, Umhlanga Ridge	25772	25820
107	79	14 Stepford Road, Sunford, Phoenix	25821	25859
108	80	Valotone 21 cc 294 Mount Batton Drive	25860	26116
110	81	Bravosat 25 cc 6 Aurora Ridge, Umhlanga	26117	26352
	82	Kaseev Traders cc, 1 Gumtree Road, Mount Edgecombe	26353	26841

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PwC ID	Volume No.	Description 1	From	To
113	83	Durban Central CAS781/6/2010 Goldcoast Trading cc Polfin Inquiry Function 4.4.2	26842	27167
114	84	Durban Central CAS781/6/2010 Goldcoast Trading cc Polfin Inquiry Function 4.4.2	27168	27749
115	85	Durban Central CAS781/6/2010 Goldcoast Trading cc Polfin Inquiry Function 4.4.2	27490	27880
116	86	Durban Central CAS781/6/2010 Valotone 21 cc 294 Mount Batton Drive Polfin Inquiry Function 4.4.2	27881	28310
117	87	Durban Central CAS781/6/2010 Bravosat 25 cc 6 Aurora Ridge, Umhlanga, and Unite Mzansi Trading and Projects cc Polfin Inquiry Function 4.4.2	28311	28711
118	88	Durban Central CAS781/6/2010 Pendleburys Polfin Inquiry Function 4.4.2	28712	29103
119	89	Durban Central CAS781/6/2010 Pendleburys Polfin Inquiry Function 4.4.2	29104	29481
120	90	Durban Central CAS781/6/2010 Pendleburys Polfin Inquiry Function 4.4.2	29482	29892
121	01/781/06/2010	Bank Statements	29873	30314
129	02/781/06/2010	Bank Statements	30315	30772
135	03/781/6/2010	Bank Statements	30773	31048
140	04/781/6/2010	Bank Statements	31041	31471
147	05/781/6/2010	Bank Statements	31473	31846
154	06/781/6/2010	Bank Statements	31847	32252
161	07/781/6/2010	Bank Statements	32253	32598
168	08/781/6/2010	Bank Statements	32857	33427
175	09/781/6/2010	Durban Central CAS 781/06/2010	32857	33121

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PwC ID	Volume No.	Description 1	From	To
177	10/781/6/2010	No Description on file	33122	33427
180	11/781/6/2010	Original Bank Statements	33428	33746
184	12/781/6/2010	Original Bank Statements	33747	34253
196		Volume 13	34254	34760
203		Volume 14	34761	35254
210		Volume 15	35255	35727
217		Volume 16	35728	36169
224		Volume 17	36170	36548
234		Volume 18	36545	37018
242		Volume 19	37019	37490
251		Volume 20	37491	37961
259		Volume 21	37962	38398
267		Volume 22	38399	38849
275		Volume 23	38850	39431
282		Volume 24	39432	39575
290		Volume 25	39576	40154
298		Volume 26	40155	40438
306		Volume 27	40439	40883
312		Volume 29	41034	41407
320		Volume 30	41408	41774
329		Volume 31	41775	42155
332		Cellphone + Telkom	42156	42321
335		Volume 2	42320	42512
338		Telkom	42513	42876
343		Diners club Card	42877	42996
346		Volume 5	42997	43246
348		Volume 6	43247	43700

**E. DETAILS OF INVESTIGATION****10.000 INTRODUCTION**

- 10.001 The SAPS SCM division in Durban, KwaZulu- Natal (**KZN**), provided purchase orders to five (5) suppliers to procure the services of goods or accommodation. These suppliers and a summary of payments that were made to them in the period 5 November 2009 to 6 August 2010, and who form part of this investigation, are as follows:

No	Supplier	Amount ( R )
i.)	Gold Coast Trading	39,336,283.00
ii.)	Unite Mzansi	863,122.06
iii.)	Kaseev Trading	1,552,019.40
iv.)	Valotone 21 cc	3,515,704.36
v.)	Bravosat 25 cc	2,079,468.70
<b>Total</b>		<b>47,346,597.52</b>

H3

G3

D3

E3

F3

- 10.002 Allegations have been made that the purchase orders made to the aforementioned entities were done without following proper procurement procedures in order to provide an unfair benefit or advantage to these entities and, these entities are alleged to have made corrupt payments to members of the SAPS who were involved with the procuring the services from each of these suppliers.

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**OWNERSHIP OF SUPPLIERS****(i) Gold Coast Trading CC****H1**

- 10.003 An Experian report extracted from the CIPC database on Gold Coast Trading CC, CK 2006/090013/23, revealed that the only member for this entity is Panday whose appointment date is 2 June 2006 being the same date as this entity's registration date. A summary of information contained on this Experian report is detailed hereunder:

**H1**

<b>Name</b>	Goldcoast Trading CC
<b>CK Registration No.</b>	2006/090013/23
<b>Registration Date</b>	02/06/2006
<b>Tax No.</b>	9037232197
<b>Start Date</b>	02/06/2006
<b>Registered Address</b>	9 Palm Boulevard, 302 Africa Palm, Umhlanga Rocks
<b>Principal</b>	Thoshan Panday
<b>Identity No.</b>	720402 5192 080
<b>Interest Size</b>	100%
<b>Date of Appointment</b>	02/06/2006
<b>Residential Address</b>	4 Russel Avenue, Scottsville, Pietermaritzburg

**H1**

- 10.004 I have also reviewed the Combined affidavit / certificate pursuant to sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 that has been prepared by Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission (CIPC), which affidavit contains the relevant information relating to Goldcoast Trading.

**H1a**

- 10.005 According to paragraph 5 of the aforementioned affidavit, the deponent has satisfied herself that Goldcoast Trading has been duly incorporated and registered with the Commission and that the forms which are annexed to the affidavit, have either been issued by the Commission or have been lodged with the Commission in terms of the provisions of the Companies Act.

**F1a|2****G1a|4-7****PwC**



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10.006 Annexed to the abovementioned deponent's affidavit are the following documents: H1a|4-9

1. Amended Founding Statement dated 18 March 2011; and H1a|4-7

2. Founding Statement dated 1 June 2006. H1a|8-9

10.007 I can also confirm that the information contained on the abovementioned Founding Statement corroborates the abovementioned information contained on the Experian report for Goldcoast Trading in addition to the fact that Panday's residential address recorded on the Amended Founding Statement is also recorded as "4 Russell Avenue, Scottsville, Pietermaritzburg, 3201." H1a|4-7  
H1  
H1a|6

**(ii) Unite Mzansi Trading & Projects** G1

10.008 An Experian report extracted from the CIPC database on Unite Mzansi Trading and Projects CC, CK 2010/003771/23, revealed that the only member for this entity is Panday whose appointment date is 12 January 2010 being the same date as this entity's registration date. A summary of information contained on this Experian report is detailed hereunder: G1

<b>Name</b>	Unite Mzansi Trading and Projects CC
<b>CK Registration No.</b>	CK 2010/003771/23
<b>Registration Date</b>	12/01/2010
<b>Tax No.</b>	None available
<b>Start Date</b>	12/01/2010
<b>Registered Address</b>	45 Zenith Drive, Unit 303 The Quartz, Umhlanga Rocks
<b>Principal</b>	Thoshan Panday
<b>Identity No.</b>	720402 5192 080
<b>Interest Size</b>	100%
<b>Date of Appointment</b>	12/01/2010
<b>Residential Address</b>	45 Zenith Drive, Unit 303 The Quartz, Umhlanga Rocks

G1

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- 10.009 I have also reviewed the Combined affidavit / certificate pursuant to sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 that has been prepared by Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission (CIPC), which affidavit contains the relevant information relating to Unite Mzansi Trading. **G1a**
- 10.010 According to paragraph 5 of the aforementioned affidavit, the deponent has satisfied herself that Unite Mzansi Trading have been duly incorporated and registered with the Commission and that the forms which are annexed to the affidavit, have either been issued by the Commission or has been lodged with the Commission in terms of the provisions of the Companies Act. **F1a|2**  
**G1a|4-7**
- 10.011 Annexed to the abovementioned deponent's affidavit is Founding Statement for Unite Mzansi Trading dated 12 January 2010 which information corroborates the information contained on the Experian report for this entity as discussed above. **G1a|4-7**  
**G1**
- (iii) Bravosat 25 CC** **F1**
- 10.012 An Experian report extracted from the CIPC database on Bravosat 25CC, CK 2009/054354/23, revealed that the only member for this entity is Panday whose appointment date is 9 November 2009. A summary of information contained on this Experian report is detailed hereunder: **F1**

<b>Name</b>	Bravosat 25CC	<b>F1</b>
<b>CK Registration No.</b>	2009/054354/23	
<b>Registration Date</b>	17/03/2009	
<b>Tax No.</b>	9790259155	
<b>Start Date</b>	17/03/2009	
<b>Registered Address</b>	Suite 302 African Palms, 9 Boulevard Drive, Umhlanga Rocks	
<b>Principal</b>	Thoshan Panday	
<b>Identity No.</b>	720402 5192 080	
<b>Interest Size</b>	100%	
<b>Date of Appointment</b>	09/11/2009	
<b>Residential Address</b>	302 African Palm, Umhlanga	

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10.013	The Experian report also indicates that Arvenda Panday <sup>1</sup> , of 25 Shepstone Close, Sommerset Park, Umhlanga, had a 100% interest in this entity before Panday's appointment but was appointed and resigned as a member on 9 November 2009.	F1 2
10.014	I have also reviewed the Combined affidavit / certificate pursuant to sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 that has been prepared by Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission (CIPC), which affidavit contains the relevant information relating to Bravosat 25 CC.	F1a
10.015	According to paragraph 5 of the aforementioned affidavit, the deponent has satisfied herself that Bravosat 25 CC has been duly incorporated and registered with the Commission and that the forms which are annexed to the affidavit, have either been issued by the Commission or have been lodged with the Commission in terms of the provisions of the Companies Act.	F1a 2 F1a 4-18
10.016	Annexed to the abovementioned deponents affidavit are the following documents:	
	1. Amended Founding Statement dated 12 March 2012;	F1a 4-6
	2. Amended Founding Statement dated 12 April 2012;	F1a 7-11
	3. Amended Founding Statement dated 26 October 2009;	F1a 12-14
	4. Amended Founding Statement in respect of Accounting Officer dated 26 October 2009; and	F1a 15-16
	5. Founding Statement dated 11 March 2009.	F1a 17-18

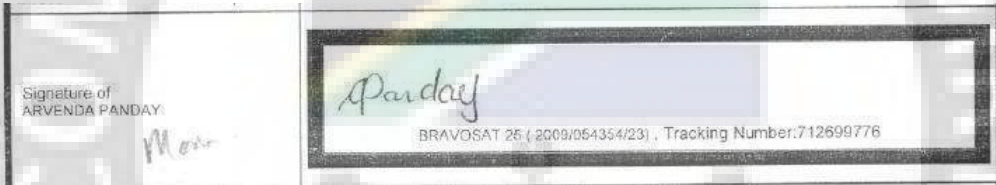
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<sup>1</sup> Id 570508 0160 080.

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- 10.017 My review of the aforementioned documents corroborates the information contained on the abovementioned Experian report for Bravosat 25 CC with the exception that Arvenda Panday<sup>1</sup> became a member of Bravosat 25 CC on 26 October 2009 and resigned on 9 November 2009. However, the Commissioner of CIPC was only notified of her resignation as a member of Bravosat 25 CC on 12 April 2011. Prior to Arvenda Panday becoming a member of Bravosat 25 CC on 26 October 2009 there was only one member, Mr Christian Gouws, with an interest of 100%. F1  
F1a|12-14  
F1a|7-11  
  
F1a|4  
F1a|18
- 10.018 I have further observed from the information contained on this Amended Founding Statement that the word “mom” is handwritten below the reference to “Signature of Arvenda Panday” on this document. This is illustrated in Record 1 below. F1a|7-11
- Record 1** F1a|10
- 
- 10.019 Based on the aforementioned two Amended Founding Statements for Bravosat 25 CC, I can conclude that on 26 October 2009 Arvenda Panday became the sole member of Bravosat 25 CC and thereafter, she resigned as a member on 9 November 2009. F1a|12-16  
F1a|7-11
- 10.020 However, Arvenda Panday’s resignation as the sole member for Bravosat 25 CC was only reported to the Commissioner of CIPC on 12 April 2011 this being more than a year after the date of her resignation. F1a|7

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<sup>1</sup> Id 510508 0160 080.

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**(iv) Valotone 21 CC****E1**

- 10.021 An Experian report extracted from the CIPC database on Valotone 21 CC, CK 2009/005565/23, revealed that the only member for this entity is Panday whose appointment date is 9 November 2009. A summary of information contained on this Experian report is detailed hereunder:

**E1|1**

<b>Name</b>	Valotone 21 CC
<b>CK Registration No.</b>	2009/005565/23
<b>Registration Date</b>	13/01/2009
<b>Tax No.</b>	9461578164
<b>Start Date</b>	13/01/2009
<b>Registered Address</b>	25 Shepstone Close, Sommerset Park, Umhlanga
<b>Principal</b>	Thoshan Panday
<b>Identity No.</b>	720402 5192 080
<b>Interest Size</b>	100%
<b>Date of Appointment</b>	09/11/2009
<b>Residential Address</b>	302 African Palm, Umhlanga

**E1**

- 10.022 The Experian report also indicates that Privisha Summurjeeth<sup>1</sup> of 25 Shepstone Close, Sommerset Park, Umhlanga, had a 100% interest in this entity before Panday's appointment but was appointed and resigned as a member on 9 November 2009.

**E1|2**

- 10.023 I have also determined from the examination of the documentary evidence provided by ABSA in respect of account No. 4075017618 that Privisha Summurjeeth was married to Panday on 17 November 2000 (**Document No. 33343<sup>2</sup>**).

- 10.024 I have also reviewed the Combined affidavit / Certificate pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 that has been prepared by Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission (CIPC), which affidavit contains the relevant information relating to Valotone 21 CC.

**E1a**

- 10.025 According to paragraph 5 of the aforementioned affidavit, the deponent has

**E1a|2**

<sup>1</sup> ID 750729 0163 085.

<sup>2</sup> Refer to paragraph 10.078 No. 12 of this report (**C3|34**).

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satisfied herself that Valotone 21 CC has been duly incorporated and registered with the Commission and that the forms which are annexed to the affidavit, have either been issued by the Commission or have been lodged with the Commission in terms of the provisions of the Companies Act.

- 10.026 Annexed to the abovementioned deponents affidavit are the following documents:
1. Amended Founding Statement dated 17 August 2011; E1a|4-8
  2. Amended Founding Statement dated 3 November 2009; E1a|9-11
  3. Amended Founding Statement in respect of Accounting Officer dated 3 November 2011; and E1a|12-13
  4. Founding Statement dated 6 January 2009. E1a|14-15
- 10.027 My review of the aforementioned documents corroborates the information contained on the abovementioned Experian report for Bravosat 25 CC in that Privisha Summerjeeth<sup>1</sup> became a member of Valotone 21 CC on 9 November 2009 but resigned same day although the Commissioner of CIPC was only notified of her resignation on 17 August 2011. Prior to Privisha Summerjeeth becoming a member of Valotone 21 CC on 9 November 2009 there was only one member, Mr Christian Gouws, with an interest of 100%. E1  
E1a|4  
E1a|4-8  
E1a|15
- 10.028 It also confirms that Panday became the sole member of this entity with effect from 9 November 2009 although this change was also reported to the Commissioner of CIPC on 17 August 2011. E1a|4-8  
E1a|6
- (v) Kaseev Traders CC** D1
- 10.029 An Experian report extracted from the CIPC database on Kaseev Traders CC, CK 2010/000129/23, revealed that the only member for this entity is Seevesh Ishwarkumar (Id 750922 5224 081) whose appointment date is 4 January 2010. A summary of information contained on this Experian report is detailed D1

<sup>1</sup> Id 750729 0163 085.



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hereunder:

<b>Name</b>	Kaseev Traders CC
<b>CK Registration No.</b>	CK 2010/000129/23
<b>Registration Date</b>	04/01/2010
<b>Tax No.</b>	None Available
<b>Start Date</b>	04/01/2010
<b>Registered Address</b>	4 Russel Avenue, Scottsville, Pietermaritzburg
<b>Principal</b>	Seevesh Ishwarkumar
<b>Identity No.</b>	Id 750922 5224 081
<b>Interest Size</b>	100%
<b>Date of Appointment</b>	04/01/2010
<b>Residential Address</b>	4 Russel Avenue, Scottsville, Pietermaritzburg

D1

10.030 The address of Mr Ishwarkumar, as detailed in the above mentioned report, is the same residential address that has been recorded for Panday in respect of the report extracted on Goldcoast Trading namely, 4 Russel Avenue, Scottsville, Pietermaritzburg<sup>1</sup>.

D1

H1

10.031 I have also reviewed the Combined affidavit / Certificate pursuant to Sections 212 and 234 (1) of the Criminal Procedure Act 51 of 1977 that has been prepared by Felicia Mills, a Senior Administration Clerk in the employ of the Companies and Intellectual Property Commission (CIPC), which affidavit contains the relevant information relating to Kaseev Traders.

D1a

10.032 According to paragraph 5 of the aforementioned affidavit, the deponent has satisfied herself that Kaseev Traders has been duly incorporated and registered with the Commission and that the forms which are annexed to the affidavit, have either been issued by the Commission or have been lodged with the Commission in terms of the provisions of the Companies Act.

D1a|2

10.033 Annexed to the abovementioned deponent's affidavit is Founding Statement for Kaseev Traders dated 4 January 2010 which information corroborates the information contained on the Experian report for this entity as discussed above.

D1a|4-6

D1

<sup>1</sup> Refer to paragraph 10.003 of this report.

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- 10.034 I have identified amongst the records of Goldcoast Trading an Agreement of Sale (**Document No. 26513|6**) between Constance Murle Rolando and Seevesh Ishwarkumar and Kajal Panday, both of whom are married out of community of property, for the purchase of an immovable property being Erf 302 Mount Edgecombe. An extract of the description of the Purchaser and Seller on this Agreement is illustrated in Record 2 below.

D24

## Record 2

D24|1



- 10.035 The domicilium citandi et executandi for the Purchaser of this immovable property, as described on this Agreement, is 4 Russell Avenue, Scottsville, Pietermaritzburg, 3201. This address is also recorded on a number of emails located on Panday's computer which emails are addressed to him ([thoshan.panday@momentum.co.za](mailto:thoshan.panday@momentum.co.za)) one of which is from Denise Wolfe-Botha of the Financial Services Board dated 15 May 2008 which states the following:

D24|3

D26

*"Dear Mr Panday. Your licence certificate has been returned by the Post Office to the FSB as being unclaimed. It was posted to: 4 Russell Avenue Scottsville Pietermaritzburg Is the address correct? Can I have it reposed to you? Please advise."*

D26

PwC

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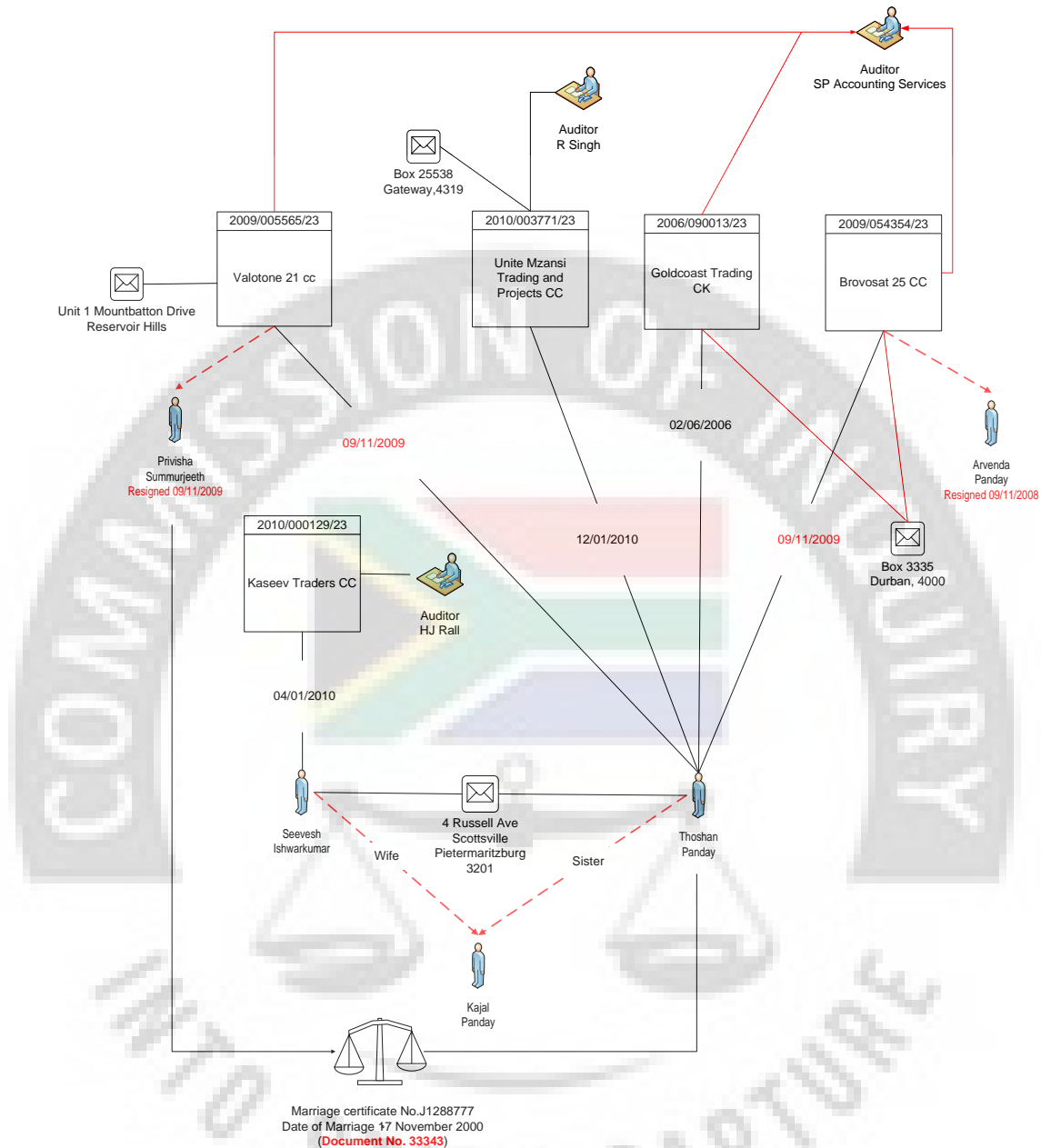
- 10.036 In a further email that is also addressed to Panday  
([thoshan.panday@momentum.co.za](mailto:thoshan.panday@momentum.co.za)) from Duarte Veronica of Alexander Forbes dated 3 September 2009 with the subject heading “Building Quote” the following has been recorded: **D27**
- “Dear Mr Panday POLICY NO: 432713 I refer to the above policy and wish to quote as follows: 4 Russell Avenue, PMB Sum Insured: R700,000 Comprehensive R137 I await your instructions. Many thanks.”* **D27**
- 10.037 In addition to the aforementioned document, I have identified a report that purports to originate from Debra Marise Oakley, a Social Worker in Private Practise Accredited in Adoption, addressed to the Commissioner of Child Welfare which report reflects that Panday and his wife appear to have been involved in the process of adopting two children. **D25**
- 10.038 I will not discuss the detailed content of this report other than to confirm that on page 2 thereof under the heading “References Obtained & Sources of Information” it is recorded “Ms Kajal Panday – Thoshan’ sister” who is also described on page 8 of this report as being recently married. **D25**  
**D25|2**  
**D25|8**
- 10.039 It is therefore reasonable for me to conclude from the information contained on the abovementioned documents that Seevesh Ishwarkumar is the brother in law to Panday. **D24-D27**
- Summary of Information**
- 10.040 I have determined from the reports extracted from Experian and that provided by the CIPC that Panday is a member of four of the five entities under investigation whilst, Seevesh Iswarkumar the member of the fifth entity<sup>1</sup> appears to be Panday’s brother in law through the marriage to his sister Kajal Panday. A summary of this information is illustrated hereunder:

<sup>1</sup> Kaseev Traders.

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- 10.041 It is further evident from the information contained on the abovementioned Experian reports that Panday become a member of Valotone 21 CC and Bravosat 25 CC on the same day namely 9 November 2009, which entities were previously owned by Privisha Summurjeeth (Panday's wife<sup>1</sup>) and Arvenda Panday (Panday's mother<sup>2</sup>).

**C3|34**  
**D25|2 & 8**

<sup>1</sup> Refer to paragraph 10.078 No. 12 of this report (C3|34).

<sup>2</sup> The alleged report of Debra Marise Oakley to Child Welfare reflects on page 2 and 8 thereof that Panday's mother is Arvenda Panday.

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**SAPS Supplier database**

10.042 The SAPS regulations require all suppliers, who are interested in conducting business with the SAPS, to register on their suppliers database. The information provided to the police in respect of the entities included in this investigation was provided to me for further analysis, and my findings are discussed hereunder.

**(i) Goldcoast Trading CC****H2**

10.043 Goldcoast Trading completed the necessary SAPS supplier application form on 27 August 2009 on the required police documents in addition to, providing the necessary supporting documentation in respect of their application. These documents include the following:

**H2**

1. SAPS Supplier Application Form Acquisition Management: MGP and Services; **H2|1**
2. SAPS 432(b) Electronic Fund Transfer (**EFT**) Instruction dated 27 August 2009; **H2|2-3**
3. Goldcoast Trading letter containing a cancelled Nedbank cheque No. 67 from account No. 1442 016728; **H2|4**
4. Identity document of Thoshan Panday with identity number 720402 5192 080; **H2|5**
5. SARS Tax Clearance Certificate for Goldcoast Trading with Income Tax reference number 9037232197; and **H2|6**
6. Certificate issued by the Registrar of Companies and Close Corporations dated 2 June 2006 for Goldcoast Trading. **H2|7**
7. Certificate issued by the Registrar of Companies and Close Corporations dated 28 June 2010. **H2|8-9**

PwC

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10.044	The instructions provided on the application form requires the supplier to complete all 18 pages although it is evident from the documents provided to me for analysis that only three of the eighteen pages have been completed (one being the instructions and the remaining two pages being the EFT transfer information).	H2 1
10.045	According to the information provided on the EFT instruction, Goldcoast Trading have indicated that their bank account is domiciled at Nedbank with account number 1442016728. This document also purports to have been signed by Panday.	H2 2
10.046	The Goldcoast letter with the cancelled Nedbank cheque No. 67 records their physical address as “45 Zenith Drive, Quartz, Unit 303, Umhlanga Rocks, 4021” whilst the Certificate issued by the Registrar of Companies and Close Corporations dated 2 June 2006, reflects that Panday is the only member of this entity.	H2 4 H2 7 (H2 8)
10.047	I have furthermore established from the aforementioned certificate that Panday’s residential address and the registered office address of Goldcoast Trading is the same namely “4 Russell Avenue, Scottsville, Pietermaritzburg, 3201”. This address is also identified as the registered address for Kaseev Traders and the residential address of their only member, Mr Seevesh Ishwarkumar, on the Experian Report that was extracted for this entity <sup>1</sup> .	H2 7 H2 8
	<b>(ii) Bravosat 25 CC</b>	F2
10.048	The supplier information held by the SAPS in respect of Bravosat 25 CC was provided to me for further examination and included the following documents:	
	1. A Polfin Supplier Maintenance Request dated 3 December 2009;	F2 1
	2. SAPS 432(b) EFT instruction for registration and amendments of creditors banking details dated 30 November 2009;	F2 2

<sup>1</sup> Refer to paragraph 10.029 to 10.030 of this report. (D1)



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3.	SAPS instruction form marked as paged 18 of 18 that forms part of the SAPS 432(b);	F2 3
4.	An unissued Bravosat 25CC tax invoice including an ABSA cancelled cheque No. 1 for account No. 4075017197;	F2 4
5.	An unused Bravosat 25 CC letter;	F2 5
6.	Identity document for Arvenda Panday with identity No. 510508 0160 080;	F2 6
7.	SARS Application for a tax clearance certificate;	F2 7
8.	CK2 and Certificate issued by the Registrar of Companies and Close Corporations dated 10 November 2000; and.	F2 8-10
9.	Certificate issued by the Registrar of Companies and Close Corporations dated 28 June 2010.	F2 11-12
10.049	The aforementioned documents indicate that Arvenda Panday was a member of this entity when the supplier was registered with the SAPS; and whose bank account is domiciled at ABSA with account No. 407501797. The address of this entity, as recorded on the EFT application and their unissued invoice and letter, is “Unit 10, Ridgeton Towers, 6 Aurora Drive, Umhlanga Ridge” whilst the address of Arvenda Panday, as detailed on the Certificate issued by the Registrar of Companies and Close Corporations, is “25 Shepstone Close, Sommerset Park, Umhlanga”. This is the same address that appears on the Experian report for Valotone 21 CC <sup>1</sup> whilst Panday has provided Nedbank with the eThekweni Municipal account <sup>2</sup> for account No. 1442016728 in respect of 25 Shepstone Close, Sommerset Park ( <b>Document No. 39357</b> ).	F2 2 F2 4 F2 8-12 E1 C2 19

<sup>1</sup> Refer to paragraph 10.021 of this report.<sup>2</sup> Refer to paragraph 10.075 number 3) of this report.

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- |        |  |   |
|--------|--|---|
| 10.050 | Once again, the documents provided to me for examination indicate that the supplier's application for registration comprises of 18 pages although I have only been provided with the EFT information and therefore, cannot comment on what information, if any, may have been recorded on these remaining pages.   | <b>F2 2-3</b>   |
| 10.051 | The Certificate issued by the Registrar of Companies and Closed Corporations dated 28 June 2010 reflects that, as at 28 June 2010, the only member for Bravosat 25 CC was Arvenda Panday. However, the Experian report extracted on this entity reveals that she resigned as a member thereof on the same date that she became a member, namely 9 November 2009, at which date, Panday became the sole member of this entity. I have also established from documents provided by CIPC that Arvenda Panday became a member of Bravosat 25 CC on 26 October 2009 and resigned on 9 November 2009 although the CIPC was only informed of her resignation on 12 April 2011.  | <b>F2 11-12</b><br><br><b>F1</b><br><br><b>F1a</b><br><b>F1a 7-11</b>   |
| 10.052 | I can therefore conclude from the aforementioned documents that Arvenda Panday was initially the only member for this entity, and who was recorded as the only member thereof as at 28 June 2010, a year <b>after</b> the registration on the SAPS Supplier database. However, subsequent to the aforementioned date, the CIPC was informed of her resignation as the only member of Bravosat 25 CC, which date is recorded as 9 November 2009 although the CIPC was only informed of her resignation on 12 April 2011. The aforementioned documents concur with each other that Panday became the sole member of Bravosat 25 CC on 9 November 2009 – this means that he was a member thereof prior to the date of Bravosat 25 CC's application for registration on the SAPS supplier database which appears to have been completed by Arvenda Panday. | <b>F2 11-12</b><br><b>F1 &amp; F1a</b><br><br><br><b>F1 &amp; F1a</b><br><b>F1a 7-11</b><br><br><br><b>F2 1-2</b> |

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10.053 Based on the aforementioned observations, it would be is reasonable to conclude that when Arvenda Panday completed the SAPS 432(b) EFT instruction she was no longer a member of Bravosat 25 CC and therefore, has mislead the police into believing that she was such a member when, in fact, the actual member was Panday but the relevant document had not been sent to the CIPRO for processing.

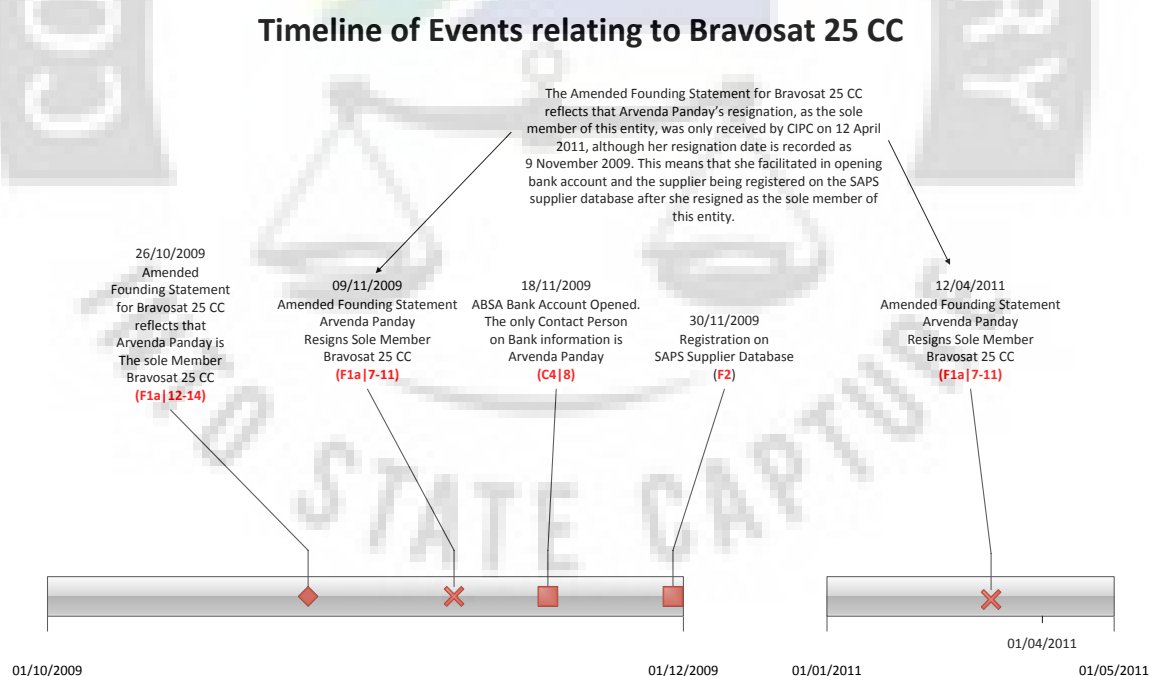
F2|2

10.054 I have also received correspondence from ABSA Bank regarding the bank account of Bravosat 25 CC which documents reflect that the only contact person for this entity is Arvenda Panday which means that she was and still is responsible for this account which was opened on 18 November 2009.

C4|8-9

C4|10

10.055 A summary of a timeline of events, as it relates to the dates on which Arvenda Panday is either reflected as an active or resigned member of Bravosat 25 CC is detailed hereunder:



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**(iii) Valotone 21 CC**

		<b>E2</b>
10.056	The supplier information held by the SAPS in respect of Valotone 21 CC was provided to me for further examination and included the following documents:	<b>E2</b>
	1. A Polfin Supplier Maintenance Request dated 7 December 2009;	<b>E2 1</b>
	2. SAPS 432(b) EFT instruction for registration and amendments of creditors banking details dated 30 November 2009;	<b>E2 2</b>
	3. An unissued Valotone 21 CC tax invoice;	<b>E2 3</b>
	4. A blank Valotone 21 CC letter;	<b>E2 4</b>
	5. Identity document for Privisha Summurjeeth with identity number 750729 0163 085;	<b>E2 5</b>
	6. An unissued Valotone 21 CC letter included a cancelled cheque No. 1 drawn on the ABSA account No. 4075017618.	<b>E2 6</b>
	7. SARS Application for a tax clearance certificate; and	<b>E2 7</b>
	8. CK2 and Certificate issued by the Registrar of Companies and Close Corporations dated 10 November 2009.	<b>E2 8-10</b>
	9. Certificate issued by the Registrar of Companies and Close Corporations dated 1 July 2010.	<b>E2 11-12</b>

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10.057	The aforementioned documents indicate that Privisha Summurjeeth was a member of this entity when the supplier was registered with the SAPS and whose bank account is domiciled at ABSA with account No. 4075017618. Their address, and that of the Privisha Summurjeeth, as appearing on the EFT application, their unissued invoice and letter is recorded as “14 Blenheim Court, Umhlanga Ridge” <sup>1</sup> ; whilst the address of Privisha Summurjeeth, as detailed on the Certificate Issued by the Registrar of Companies and Close Corporations, is recorded as “25 Shepstone Close, Sommerset Park, Umhlanga”.	E2 2 & 5  E2 2  E2 8-10
10.058	I have also established from documentary evidence acquired from ABSA in respect of their account with number 4075017618 that Privisha Summurjeeth was married <sup>2</sup> to Panday on 17 November 2000 ( <b>Document No. 33343</b> ). Hence, when she registered this supplier on the SAPS supplier database she was already married to Panday yet she has not used her married surname in the application.	C3 34
10.059	The Certificate issued by the Registrar of Companies and Closed Corporations dated 1 July 2010 reflects that, as at 1 July 2010, the only member for Valotone 21 CC was Privisha Summurjeeth. However, the Experian report extracted on this entity reveals that she resigned as a member thereof on the same date that she became a member, namely 9 November 2009, at which date Panday became he sole member of this entity. I have also established from documents provided by CIPC that Privisha Summurjeeth became a member of Valotone 21 CC on 9 November 2009 and resigned the same day, although the CIPC was only informed of her resignation on 17 August 2011.	E2 11-12  E1  E1a  E1a 4-8
10.060	I can therefore conclude, from the aforementioned documents, that Privisha Summurjeeth was initially the only member for this entity, and who is recorded as the only member thereof as at 1 July 2010, a year <b>after</b> the registration on the SAPS Supplier database. However, subsequent to the	E2 11-12  E1  E1a

<sup>1</sup> Document No. 40656 is an eThekweni Municipal account addressed to T Panday of 14 Blenheim Court, Umhlanga Rocks. Refer to paragraph 10.087 No. 8 of this report (**C5|15**).

<sup>2</sup> Refer to paragraphs 10.078 No. 12 of this report (**C3|34**).

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aforementioned date, the CIPC was informed of her resignation as a member of Valotone 21 CC, which date is recorded as 9 November 2009, although the CIPC was only informed on 17 August 2011. The aforementioned documents concur that Panday became the sole member of Valotone 21 CC on 9 November 2009 – this means that he was a member thereof prior to the date that Valotone 21 CC's application for registration on the SAPS supplier database was completed by Privisha Summurjeeth as per the aforementioned documents.

**E1a|4-8**  
**E1 & E1a**

10.061 Based on the aforementioned observations, it would be reasonable to conclude that the SAPS 432(b) EFT instruction was completed by what purports to be Privisha Summerjeeth. She was no longer a member of Valotone 21 CC and therefore, has mislead the police into believing that she was such a member when, at all intent times, the actual member was Panday but the relevant documents had not been sent to CIPC for processing.

**E2|2**

10.062 I have also received correspondence from ABSA Bank regarding the bank account<sup>1</sup> of Valotone 21 CC which documents reflect that the only signatory on this account is Privisha Summurjeeth who opened the account on 18 November 2009 and still remains the only signatory on the account.

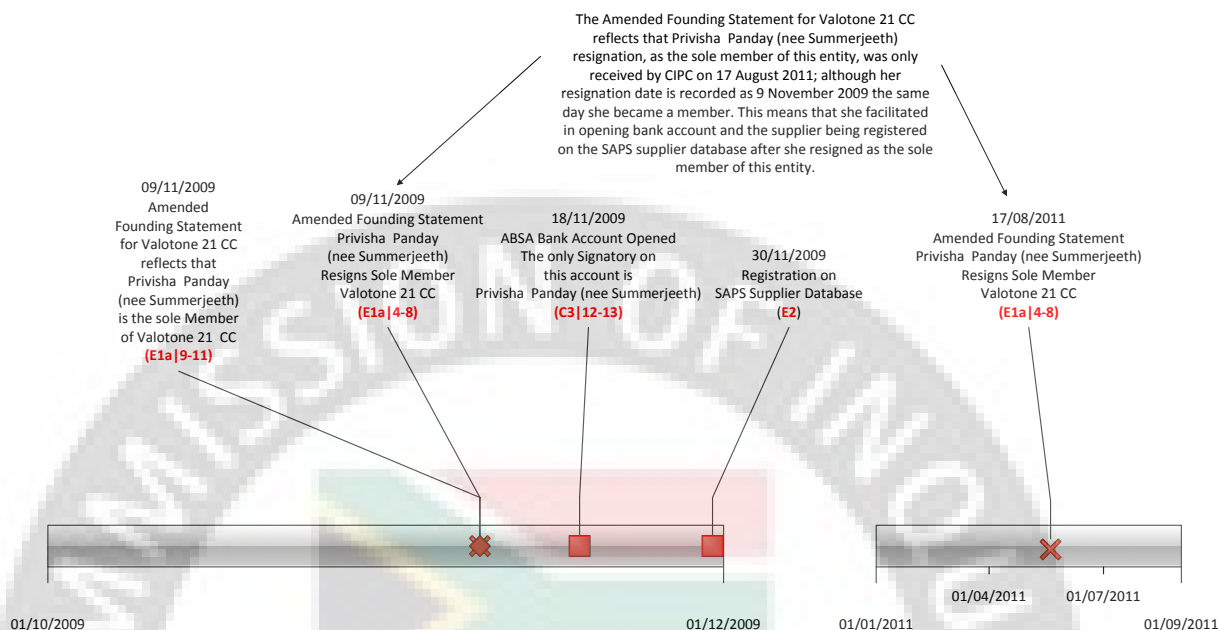
**C3**  
**C3|14**  
**C3|36**

10.063 A summary of a timeline of events, as it relates to the dates on which Privisha Summurjeeth is either reflected as an active or resigned member of Valotone 21 CC is detailed hereunder:

<sup>1</sup> Refer to paragraph 10.078 No. 14 (**C3|36**).



### Timeline of Events relating to Valotone 21 CC



- 10.064 The modus operandi, in both Bravosat 25 CC and Valotone 21 CC are identical in that, in both instances, the records held by CIPC indicate that the members of these entities resigned on the same date or a few days after becoming a member of each of these entities. Whilst subsequent to these resignation dates, these same persons completed the necessary documentation to register these two suppliers on the police supplier database as well as opened bank accounts for each of them at ABSA Bank. The CIPC records also indicate that Panday became a member of both these entities subsequent to the resignation of the initial members although he, at no time, has any authority on the bank accounts in respect of these two entities.

**(iv) Kaseev Traders CC**

D2

- 10.065 The supplier information held by the SAPS in respect of Kaseev Traders CC was provided to me for further examination and included the following documents:

D2

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1. A Polfin Supplier Maintenance Request dated 17 March 2010;	D2 1-2
2. SAPS 432(b) EFT instruction for registration and amendments of creditors banking details dated 18 January 2010;	D2 4-5
3. An unissued Kaseev Traders CC tax invoice;	D2 3
4. Identity document for Seevesh Ishwarkumar with identity number 750922 5224 081;	D2 6
5. FNB letter dated 18 January 2010 addressed “to whom it may concern” confirming the bank account of Kaseev Traders CC in their books;	D2 7
6. FNB bank statement for Kaseev Traders with account No. 62251113313 for the period 7 to 16 January 2010; and	D2 8
7. SARS Tax Clearance Certificate in respect of Kaseev Traders CC;	D2 9
8. CIPRO Company report dated 26 July 2010.	D2 10-12
9. ENATIS report on S Ishwarkumar dated 26 July 2010.	D2 13
10.066 The aforementioned documents indicate that Seevesh Ishwarkumar <sup>1</sup> is the only member of this entity whose bank account is domiciled at ABSA with account No. 62251113313. Their address, as recorded on the EFT application and their unissued invoice and letter, is recorded as “529 Aldrovande Palace, Umhlanga Ridge, 4319.”	D2 4-5
(v) <b>Unite Mzansi Trading and Projects CC</b>	G2
10.067 The supplier information held by the SAPS in respect of Unite Mzansi Trading and Projects CC was provided to me for further examination and included the following documents:	

<sup>1</sup> It appears from documentary evidence examined by me and which is discussed in preceding paragraphs of my report, refer to paragraphs 10.034 to 10.039, that Seevesh Ishwarkumar is Panday's brother in law as he is married to his sister namely to Kajal Panday (D24 & D25).

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	1. A Polfin Supplier Maintenance Request dated 12 February 2010;	G2 1-2
	2. SAPS 432(b) EFT instruction for registration and amendments of creditors banking details dated 17 January 2010;	G2 4-5
	3. An unissued Kaseev Traders CC tax invoice <sup>1</sup> including a copy of a cancelled cheque No. 1 drawn on account No. 4075205065;	G2 3 & 10
	4. Identity document of Thoshan Panday with identity number 720402 5192 080;	G2 6
	5. CK1 dated 12 January 2010 re: Application to Register a Close Corporation;	G2 7
	6. A Certificate issued by the Registrar of Companies and Close Corporations dated 12 January 2010; and	G2 8
	7. SARS Tax Clearance Certificate in respect of Unite Mzansi Trading and Projects CC;	G2 9
	8. Certificate issued by the Registrar of Companies and Close Corporations dated 28 June 2010.	G2 11-12
10.068	The aforementioned documents indicate that Panday is a member of this entity whose bank account is domiciled at ABSA with account No. 4075205065. Their address appearing on the EFT application and their unissued invoice is not the same in that the address on the EFT application is recorded as “48 Peter Road, Seacow Lake” whilst the address appearing on their unissued tax invoice is recorded as “28 Peter Road, Seacow Lake <sup>2</sup> ”.	G2 4  G2 4  G2 3 & 10
10.069	In addition to the above addresses, I have also observed that the address of this entity on the Certificate issued by the Registrar of Companies and Close Corporations, as well as the residential address of Panday, is “45 Zenith Drive, Unit 303 The Quartz, Umhlanga Rocks, 4319”.	G2 8 G2 11-12

<sup>1</sup> The address of this entity as recorded on this document is “28 Peter Road, Sea Cow Lake.”

<sup>2</sup> This is the address that appears on all Unite Mzansi Trading Invoices (G5-G16).

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10.070 I perused the affidavit of Colonel Lulama Siphokazi Mfuza Tyesi from Supply Chain Management at Pretoria Head Office and attached to Acquisition Management. Her responsibility is database and irregular expenditure. Colonel Tyesi described the data capturing role as follows;

**A98**

1. The AMD 1 form is to be completed especially the SAPS 432(b) which must be signed by the person that is responsible for finance of the company and the signature of that person must appear on both SAPS 432(b) forms and that person that signed must attach his or her identity document;
2. When these forms are received there is a checklist that follows including:
  - a) The company CK documents;
  - b) Tax clearance certificate;
  - c) Certified copy of identity document of the Director or shareholder and most important if the Director or shareholder did not sign the SAPS 432(b) then that person that signed must attach a certified copy of their identity document;
  - d) Written proof of bank account and a SAPS 432(b) stamped by bank; and
  - e) Cancelled or blank invoice or company letterhead.
3. If the checklist is not in order then the AMD 1 documents are sent back to the sender for rectification.
4. If the AMD 1 forms are correct the following procedure is followed:
  - a) The documents are captured on Polfin function 4.1.8 for capturing of information;
  - b) A request number is produced and placed on the file and thereafter

**A98|2-15**

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the entire file is sent to the finance department;

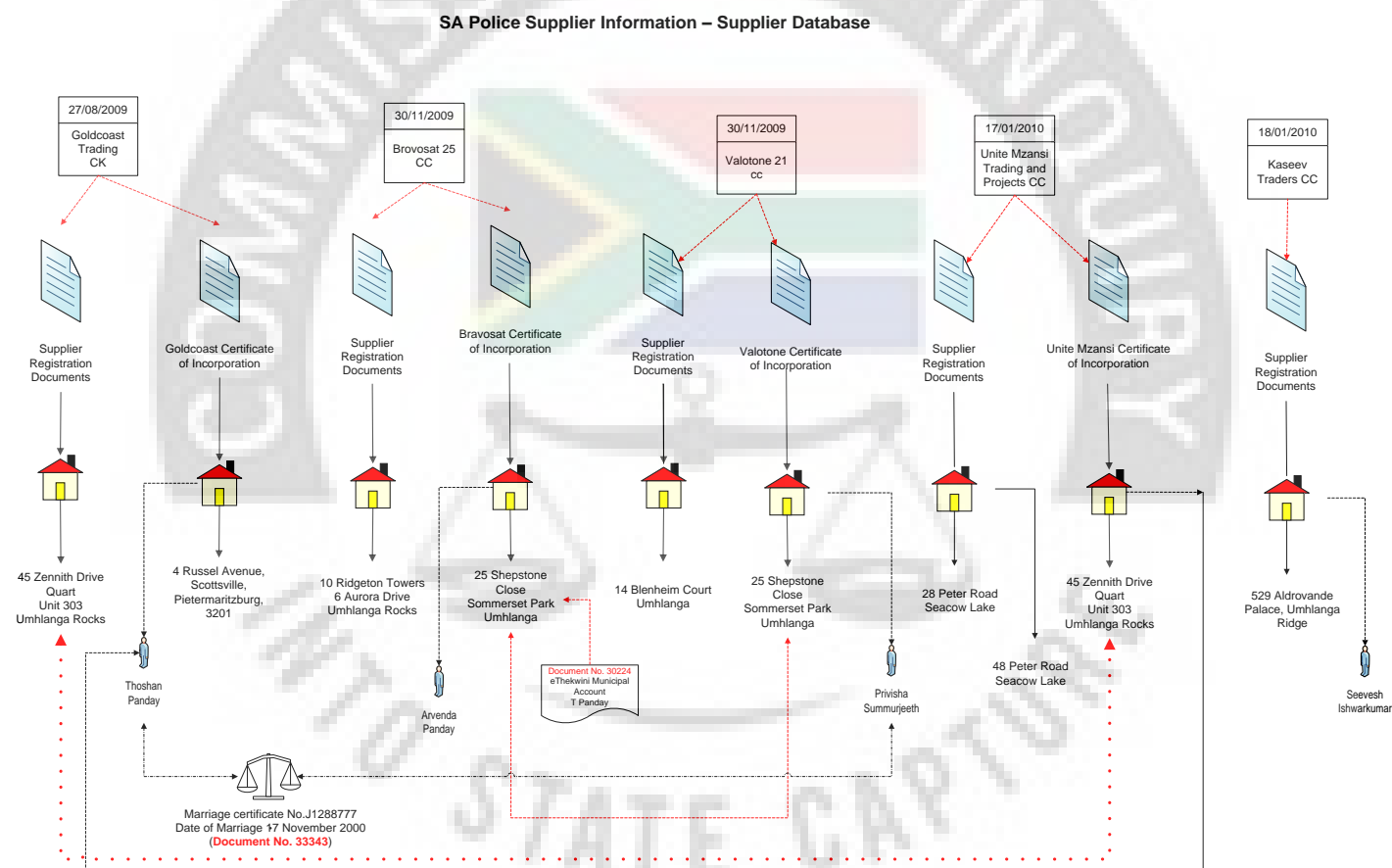
- c) Finance does a 4.1.9 which is verification of all information that was captured ;
- d) Thereafter the finance department does an approval on 4.1.10 and then issues a vendor number or supplier code; and
- e) Once this is finalised the entire file is returned to the data capturing department for a final accreditation on function 4.1.44. On this function, it allows the capturer to put in the vendor or supplier number and then the supplier's name appears on the screen. Once this is verified as correct the capturer types in 01 and the date and the final accreditation is recorded.

10.071 Colonel Tyesi stated that the application of Goldcoast Trading CC, Valotone 21 CC, Kaseev Traders CC, Unite Mzansi Trading and Projects CC and Bravosat 25 CC were all captured on the system by the finance department of SCM, which to her recollection were able to do function 4.1.8.

**A98|16-31**

10.072 At this stage, I am unable to comment as to the reason behind the finance department of SCM capturing the applications of the above mentioned suppliers instead of following the usual process where the data capturing section would do so.

**Summary of Findings – SAPS Supplier Database – Graphical Illustration**





**BANK ACCOUNTS**

- 10.073 The payments made by the SAPS to each of these five (5) suppliers, as detailed in paragraph 10.001 of my report, were electronically paid into their respective bank accounts. These accounts were subpoenaed by the police and these documents were subsequently handed over to me for further examination. Included in these documents are opening documents, signature cards, personal account information, bank statements and other relevant documents necessary to open a bank account.
- 10.074 Each of these accounts and their documents relevant to the signatory of the account is discussed hereunder.
- (i) **Nedbank Account No. 1442016728 – Goldcoast Trading** **C2**
- 10.075 Nedbank have provided various documents relating to account number 1442016728 in the name of Goldcoast Trading CC which include the following: **C2**
- 1) Bank statements for the period 29 December 2008 (**Document No. 30182**) to 17 May 2010 (**Document No. 30220**); **C2|23-61**
  - 2) Bank statements for the period 11 May 2010 (**Document No. 39621**) to 21 November 2011 (**Document No. 39386**); **C2|62-118**
  - 3) Nedbank Business Account Signature Card (**Document No. 39345**); **C2|7**
  - 4) Identity document for Thoshan Panday with Identity No. 720402 5192 080 (**Document No. 39356**); **C2|18**
  - 5) eThekwini Municipality account for municipal services in respect of account No. 83247061027 for T Panday and 25 Shepstone Close, Umhlanga Rocks dated December 2006 (**Document No. 39357**); **C2|19**
  - 6) A Credit report on Panday (**Document No. 39358**); **C2|20**

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- |  |          |
|--|----------|
| 7) CK1 re: Application to register a Close Corporation dated 2 June 2006 in respect of Goldcoast Trading CC ( <b>Document No. 39359</b> );                     | C2 21    |
| 8) Certificate issued by the Registrar of Companies and Close Corporations dated 2 June 2006 in respect of Goldcoast Trading CC ( <b>Document No. 39347</b> ); | C2 9     |
| 9) Nedbank request to open a business current account dated 29 January 2007 ( <b>Document No. 39348/9</b> );   | C2 10-11 |
| 10) Nedbank Certificate of Signing Authorities (business accounts) dated 29 January 2007 ( <b>Document No. 39346</b> );  | C2 8     |
| 11) Nedbank Needs Analysis in respect of short –term as well as long-term bank deposits (non individuals) ( <b>Document No. 39350</b> );                       | C2 12    |
| 12) Indemnity in respect of Limited mandates ( <b>Document No. 39351/2</b> ); and  | C2 13-14 |
| 13) Nedbank Extract of minutes – Close Corporations dated 29 January 2007 ( <b>Document No. 39353/4</b> );   | C2 15-16 |

**4 Russell Avenue Scottsville Pietermaritzburg**

- |   |                            |
|---|----------------------------|
| 10.076 I have determined from the examination of some of the abovementioned documents that the address of either Panday or Goldcoast Trading has been recorded as “4 Russell Avenue, Scottsville, Pietermaritzburg, 3201.” This is the same address that has been used on the Experian report for Kaseev Traders CC <sup>1</sup> . A summary of where this address may be found on these documents is detailed hereunder: | C2 9-10<br>C2 12<br><br>D1 |
| 1. The Certificate issued by the Registrar of Companies & Close Corporations ( <b>Document No. 39347</b> ) in respect of Goldcoast Trading reflects that the registered address of this entity and the residential address of Panday is “4 Russell Ave, Scottsville, Pietermaritzburg,  | C2 9                       |

<sup>1</sup> Refer to paragraphs 10.029 to 10.030 of this report.

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3201".

2. The Nedbank Request to Open a Business Current Account (**Document No. 39348**) also records Goldcoast Trading's *domicilium Citandi et executandi* as "4 Russell Avenue, Scottsville, Pietermaritzburg"; and

3. The Nedbank Needs Analysis in respect of short-term, as well as long-term bank deposits (**Document No. 39350**) records Goldcoast Trading's Business address as "4 Russell Avenue, Scottsville".

- 10.077 I have also determined that Panday is the only signatory on this account and a copy of his specimen signature as appended on the signature card (**Document No. 39345**) is illustrated hereunder:

Account name	GOLDCOAST TRADING CC 200609001323		
Account number	1442016728		
Name and capacity		Specimen signatures	
T. Panday		[Signature]	

- (ii) **Account No. 4075017618 – Valotone 21 CC**

- 10.078 ABSA Bank have provided various documents relating to account number 4075017618 in the name of Valotone 21 CC which include the following:

1. ABSA Bank small business account application (**Document No. 33317/20**);
2. ABSA details of principals and authorised signatories (**Document No. 33321**);
3. Account opening application form checklist (**Document No. 33323**);
4. ABSA Bank signature card (**Document No. 33324**);

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5. FAIS Act Notice ( <b>Document No. 33325/8</b> );	C3 16-19
6. ABSA Comprehensive client information ( <b>Document No. 33329/30</b> );	C3 20-21
7. CK2 re: Application to Amend Close Corporation dated 10 November 2009 ( <b>Document No. 33336</b> );	C3 27
8. Certificate issued by the Registrar of Companies & Close Corporation dated 10 November 2009 ( <b>Document No. 33337/8</b> );	C3 28-29
9. Certificate issued by the Registrar of Companies & Close Corporation dated 18 November 2009 ( <b>Document No. 33339/40</b> );	C3 30-31
10. Affidavit (Business Address Verification) dated 18 November 2009 ( <b>Document No. 33341</b> );	C3 32
11. Telkom invoice in favour of Ms P Panday “c/o House No. 12/14, 12 Blenheim Co, Umhlanga” dated 8 October 2009 ( <b>Document No. 33342</b> );	C3 33
12. Marriage certificate No. J1288777 between Thoshan Panday and Privisha Summurjeeth (id 750729 0163 085) whose date of marriage is recorded as 17 November 2000 ( <b>Document No. 33343</b> );	C3 34
13. ABSA cheque account basic detail ( <b>Document No. 33344</b> );	C3 35
14. Signing Instructions on cheque account ( <b>Document No. 33345</b> );	C3 36
15. Identity document of Privisha Summerjeeth with identity number 750729 0163 085 ( <b>Document No. 33348</b> ); and	C3 39
16. Bank statements for the period 18 November 2009 ( <b>Document No. 33376</b> ) to 18 November 2010 ( <b>Document No. 33399</b> ).	C3 67-90

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- |        |   |                             |
|--------|---|-----------------------------|
| 10.079 | Based on the examination of these documents, I can conclude that the only signatory on this account is Ms Privisha Summurjeeth who opened the account on 18 November 2009 ( <b>Document No. 33376</b> ) nine years after her marriage to Panday on 17 November 2000 ( <b>Document No. 33343</b> ). There is no evidence from these bank documents to prove that Privisha Summurjeeth ever resigned as a signatory on this account; neither is there any evidence to confirm that she resigned as a member of this entity. It is evident for the Telkom invoice for October 2009 that Mrs Privisha Summerjeeth sometimes uses the name Mrs P Panday. | C3 15<br><br>C3 67<br>C3 34 |
| 10.080 | According to the Experian report extracted on Valotone 21 CC <sup>1</sup> , Privisha Summurjeeth resigned as a member of this entity on 9 November 2009, the same day that Panday acquired a 100% interest in this entity.  | E1                          |
| 10.081 | I have also noted from the examination of the certificate issued by the Registrar of Companies and Close Corporations that the registered address of Valotone 21 CC is “25 Shepstone Close, Sommerset Park, Umhlanga, 4021” which is the one of the addresses that was used on the bank documents for Goldcoast Trading.  | C3 30                       |
| 10.082 | I have also observed, from the examination of the opening documents for Goldcoast Trading’s Nedbank account No. 1442016728, that Panday provided an eThekweni municipal account No. 83247061027 as proof of his residence when opening the bank account which municipal account is addressed to T Panday of 25 Shepstone Close, Sommerset Park, Umhlanga ( <b>Document No. 39357</b> <sup>2</sup> ). Hence, it is therefore reasonable to conclude that Panday was domiciled at 25 Shepstone Close, Umhlanga on or about December 2006.   | C2 19                       |

<sup>1</sup> Refer to paragraphs 10.021 to 10.023.<sup>2</sup> Refer to paragraphs 10.075 5) of this report.

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<b>(iii) Account No. 4075017197 – Bravosat 25 CC</b>		<b>C4</b>
10.083	ABSA have only provided a Comprehensive Client Information report ( <b>Document No. 33400/1</b> ) on account number 4075017197 and bank statements for the period 18 November 2009 ( <b>Document No. 33402</b> ) to 9 November 2010 ( <b>Document No. 33426</b> ).	<b>C4 8-9</b> <b>C4 10-34</b>
10.084	I am able to conclude from this information that the account is held in the name of Bravosat 25 CC whose physical address is recorded, on both the bank statements ( <b>Document No. 33402/26</b> ) and the Comprehensive Client Information report ( <b>Document No. 33400/1</b> ), as “4 Russel avenue, Scottsville”.	<b>C4 10-34</b> <b>C4 8</b>
10.085	I have also observed from the examination of the aforementioned document that the contact person is recorded as Mrs A Panday with cell number 083 4970 718 although there is no identity number appended on this document.	<b>C4 8</b>
10.086	The examination of the Experian report for this entity <sup>1</sup> revealed that A Panday is in fact Arvenda Panday with identity number 510508 0160 080 who resigned as a member of this entity on 9 November 2009, the same date when Panday became a member acquiring a 100% interest.	<b>F1</b>
<b>(iv) Account No. 62321345903 – Unite Mzansi Trading Projects CC</b>		<b>C5</b>
10.087	First National Bank ( <b>FNB</b> ) have provided various documents relating to account number 62321345903 in the name of Unite Mzansi Trading and Projects CC which include the following:	
1.	FNB signature card ( <b>Document No. 40641</b> ) that purports to be signed by Panday as the only signatory on this account. A copy of this signature is detailed hereunder;	<b>C5 1a</b>

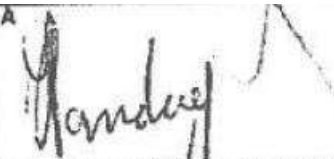
<sup>1</sup> Refer to paragraphs 10.013 of this report.



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A	
	Name / Capacity / Relationship
	MR THOSHAN PANDAY
D	

C5|1a

2. FNB Commercial Banking Customer Agreement (**Document No. 40642/8**); C5|1-7
3. Identity document of Thoshan Panday with Id 720402 5192 080 (**Document No. 40649**); C5|8
4. Certificate issued by the Registrar of Companies and Close Corporations dated 1 August 2011 for Unite Mzansi Trading and Projects CC (**Document No. 40650/1**); C5|9-10
5. CK1 from the Registrar of Close Corporations dated 12 January 2010 re: Application to Register a Close Corporation (**Document No. 40652**); C5|11
6. Certificate issued by the Registrar of Companies and Close Corporations dated 12 January 2010 for Unite Mzansi Trading and Projects CC (**Document No. 40653**); C5|12
7. An invoice from Essential Design in favour of Unite Mzansi for the amount of R57,228 (**Document No. 40655**); C5|14
8. eThekwini Municipality account number 83247061027 for T Panday of 14 Blenheim Court, Umhlanga Rocks, 4319 dated 14 June 2011 (**Document No. 40656**); C5|15
9. Bank statements for the period 2 August 2011 (**Document No. 40657**) to 1 December 2011 (**Document No. 40662**); C5|16-21

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10.088	I can conclude from the examination of the FNB documents for this entity that Panday is the only member thereof and the sole signatory on the account which was opened on 2 August 2011 ( <b>Document No. 40657</b> ). According to the Certificates that were issued by the Registrar of Companies and Close Corporations, and the bank statements for this account, the registered address for Unite Mzansi is “45 Zenith Drive, Unit 303 The Quartz, Umhlanga Rocks, 4320”.	C5 1A  C5 16 C5 9 & 12 C5 16-21
10.089	I have also determined from the examination of this entity’s bank statements that the account has been inactive from the period 2 August 2011 to 31 December 2011 whilst no payments have been credited to this account from the SAPS or any other business.	C5 16-21
	<b>(v) Account No. 4075205065 - Unite Mzansi ABSA</b>	C6
10.090	ABSA Bank have provided various documents relating to their account number 4075205065 and includes the following:	
	1. CSA form ( <b>Document No. 47329</b> );	C6 10
	2. Client Acceptance Screening ( <b>Document No. 47331</b> );	C6 12
	3. Client Acceptance Screening – Relationship Enquiry ( <b>Document No. 47332</b> );	C6 13
	4. Middle Office Instruction Sheet ( <b>Document No. 47333</b> );	C6 14
	5. Small Business Account Application ( <b>Document No. 47334 6</b> ) reflects that Panday is the only authorised main user for internet banking ( <b>Document No. 47334</b> );	C6 15-17  C6 15
	6. Details of Principals and Authorised Signatories ( <b>Document No. 47337 8</b> ) which indicates that Panday is the only authorised signatory on this account.	C6 18
	7. Account Opening Application Form Checklist ( <b>Document No. 47339</b> );	C6 20

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8.	FAIS Act Notice ( <b>Document No. 47340 3</b> ) signed by what appears to be Thoshan Panday;	C6 21-24
9.	ABSA Comprehensive Client Information ( <b>Document No. 47344 5</b> );	C6 25-26
10.	Application to register a Close Corporation – CK1 dated 12 January 2010 ( <b>Document No. 47346</b> );	C6 27
11.	Certificates Issued by the Registrar of Companies and Close Corporations for Unite Mzansi Trading and Projects ( <b>Document No. 47347 8</b> );	C6 28-29
12.	Cheque Account Basic Detail ( <b>Document No. 47349</b> );	C6 30
13.	Signing Instructions ( <b>Document No. 47350</b> );	C6 31
14.	NotifyMe New Registration ( <b>Document No. 47352</b> );	C6 33
15.	Client Service Limit Details ( <b>Document No. 47353</b> );	C6 34
16.	ABSA Bank South African Identity Document Verification Checklist including a copy of the identity document of Thoshan Panday with identity number 720402 5192 080 ( <b>Document No. 47355</b> );	C6 36
17.	Affidavit (Business Address Verification) ( <b>Document No. 47356</b> ) that purports to be signed by Panday;	C6 37
18.	eThekweni Municipality Metro Bill for T Panday of 14 Blenheim Court, Umhlanga Ridge dated 16 December 2009 ( <b>Document No. 47357</b> ); and	C6 38
19.	Bank Statements for the period 13 January 2010 to 13 March 2011 ( <b>Document No. 47358 to 47381</b> ).	C6 39-62
10.091	I have determined from the examination of the abovementioned ABSA Bank documents that the only signatory for this account is Panday ( <b>Document No. 47337</b> ) who is, according to the in the Certificate issued by the Registrar of Companies and Close Corporations ( <b>Document No. 47347 8</b> ), the only member of this entity.	C6 18 C6 28-29

PwC

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10.092	I have also determined from the examination of the supporting documentation for this account that Panday opened the account on 13 January 2010 and who, in support of the application to open an account, provided a copy of his eThekweni Municipality Municipal account, No. 832 4706 1027, for 14 Blenheim Road, Umhlanga Rocks, dated 16 December 2009 ( <b>Document No. 47357</b> ) as well as his identity document ( <b>Document No. 47355</b> ).	C6 39  C6 38 C6 36
	<b>(vi) Account No. 62251113313 – Kaseev Traders CC</b>	C7
10.093	FNB have provided various documents relating to account number 62251113313 in the name of Kaseev Traders CC which include the following:	
1.	FNB Commercial Customer Information Form Related Party Details – Non Natural person ( <b>Document No. 40823/31</b> );	C7 13-21
2.	FNB signature card dated 7 January 2010 ( <b>Document No. 40832</b> );	C7 22
3.	Identity document for Seevesh Ishwarkumar ( <b>Document No. 40833</b> );	C7 23
4.	Onsite visit to confirm physical address / Business Operating Address ( <b>Document No. 40834/5</b> );	C7 24-25
5.	FNB Commercial Customer Information Form - Details from the Primary User ( <b>Document No. 40836</b> );	C7 26
6.	Certificate of Registrar of Companies and Close Corporations dated 6 January 2010 ( <b>Document No. 40837/9</b> );	C7 27-29
7.	FNB AOO Form CCI0608 ( <b>Document No. 40840/2</b> );	C7 30-32
8.	FNB Resolution Demand Deposit Accounts For Commercial / Business Customers ( <b>Document No. 40843/6</b> );	C7 33-36
9.	FNB Account User Nomination Sole Access Rights for Commercial / Business Demand Deposit Accounts ( <b>Document No. 40847/51</b> );	C7 37-41

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10.	FNB Commercial Customer Information Form Related Party Details – Natural person ( <b>Document No. 40852</b> );	C7 42
11.	FNB Confirmation of BEE Status ( <b>Document No. 40853</b> );	C7 43
12.	FNB Resolution Demand Deposit Accounts For Commercial / Business Customers ( <b>Document No. 40854/7</b> );	C7 44-47
13.	FNB Account User Nomination Sole Access Rights for Commercial / Business Demand Deposit Accounts ( <b>Document No. 40858/62</b> );	C7 48-52
14.	FNB Commercial Customer Information Form Related Party Details – Non Natural person ( <b>Document No. 40863</b> );	C7 53
15.	FNB Confirmation of BEE Status ( <b>Document No. 40864</b> ); and	C7 54
16.	Bank statements for the period 6 January 2010 ( <b>Document No. 30930</b> ) to 6 January 2011 ( <b>Document No. 40881</b> ).	C7 55-79
10.094	I have determined from the examination of the abovementioned documents that the only signatory to this account is Mr Seevesh Ishwarkumar who, at the time of opening the account, provided FNB with his address as 529 Aldrovanda Place, Umhlanga Rocks ( <b>Document No. 40834/5</b> ).	C7 22 C7 24-25
10.095	I have also observed from the examination of the onsite visit to Mr Seevesh Ishwarkumar's address by an FNB representative that they have indicated that <i>"client is currently doing business from his premises. Its a 4 room apartment with balcony and windows all around, clients family photos on the bedroom wall indicating that he lives there. Chemicals that he sells e.g. Johnson etc. are kept in the third room, his entrance doubles as a reception area. Clients wife is the receptionist and bookkeeper."</i>	C7 24-25

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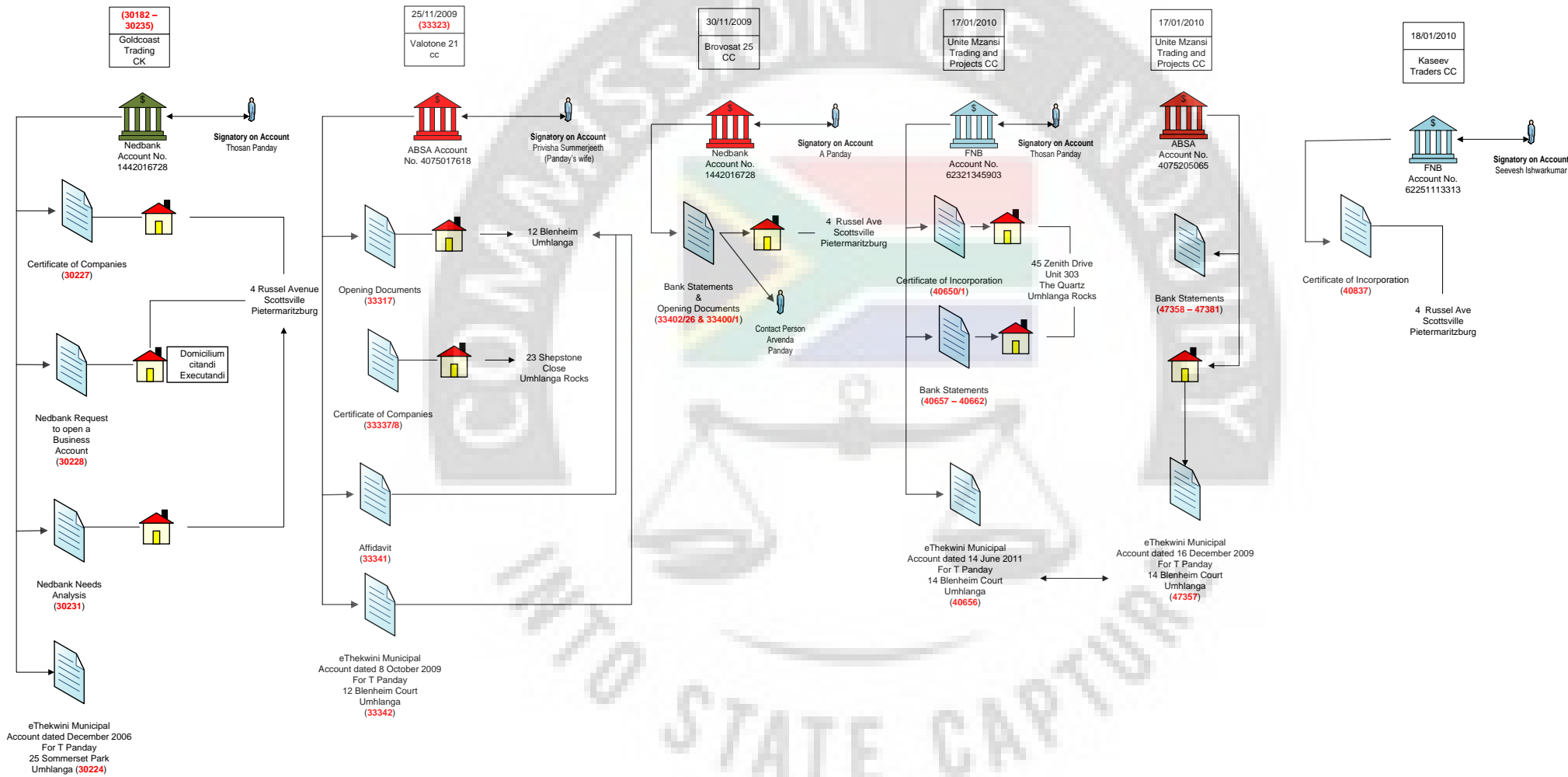
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- 10.096 In addition, I have also observed that the Certificate issued by the Registrar of Companies and Close Corporations (**Document No. 40837**) records Kaseev Traders postal and registered office address as “4 Russel Avenue, Scottsville, Pietermaritzburg, 3209” which is also recorded as the residential address of Mr Seevesh Ishwarkumar the sole member of this entity. Therefore, the address of Kaseev Traders which appears on the Certificate from the Registrar of Companies and Close Corporations differs to the residential address provided to FNB which address was inspected during their onsite visit. C7|27  
C7|27  
C7|24-25  
C7|13
- 10.097 I have also noticed that the date that the information was provided in the abovementioned two documents are only 2 days apart namely 4 January 2010 and 6 January 2010 respectively. Therefore, it would appear that the address “4 Russel Ave, Scottsville, Pietermaritzburg” is not or was never the residential address of Mr Seevesh Ishwarkumar, but was nevertheless used on the registration document for this entity. C7|27  
C7|13
- Summary of Findings Bank Accounts**
- 10.098 A graphical illustration of the information provided in respect of the bank accounts opened for the entities under investigation is detailed hereunder:

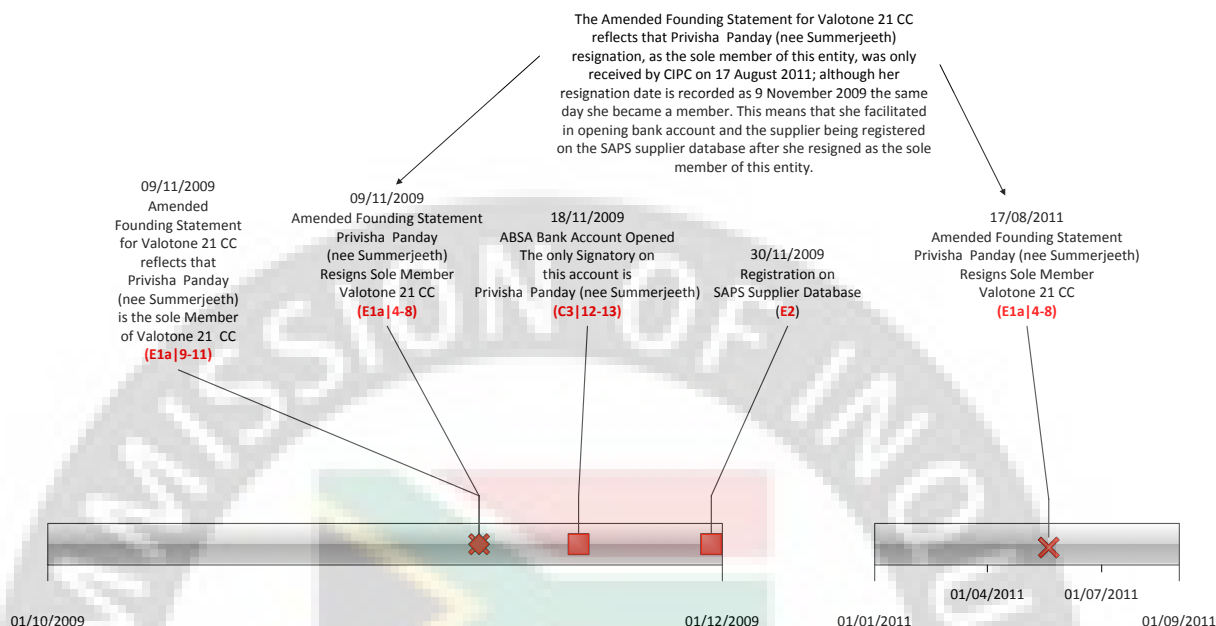




**Findings**

- 10.099 The Bank accounts in respect of four of the five (5) entities have different signatories on the accounts all of which are related to Panday in some way. These persons, despite the statutory information indicating that they resigned as member's of these entities, are still the signatory on the bank accounts.
- 10.100 I have also determined, from the examination of all the documents, that when these entities were registered on the police supplier's database, the initial members had already resigned their membership and therefore, no longer had an interest in any of the entities yet their particulars were provided to the Police when registration of the supplier took place on the suppliers database.
- 10.101 For example, Privisha Summerjeeth resigned as a member of Valotone 21 CC on 9 November 2009 however, the records of the SAPS indicate that when this entity was registered on their supplier database on 30 November 2009, her particulars were provided to the police together with all the supporting registration documents instead of Panday's since he obtained a 100% interest in this entity on the same day. I can also conclude that, despite the fact that she resigned as a member of this entity, the bank account for Valotone 21 CC, in respect of ABSA account number 4075017618 reflect that she is the only signatory on the account, which account was opened by her on 18 November 2009 after she resigned as a member of Bravosat 25 CC. A timeline of these events is illustrated hereunder:

### Timeline of Events relating to Valotone 21 CC

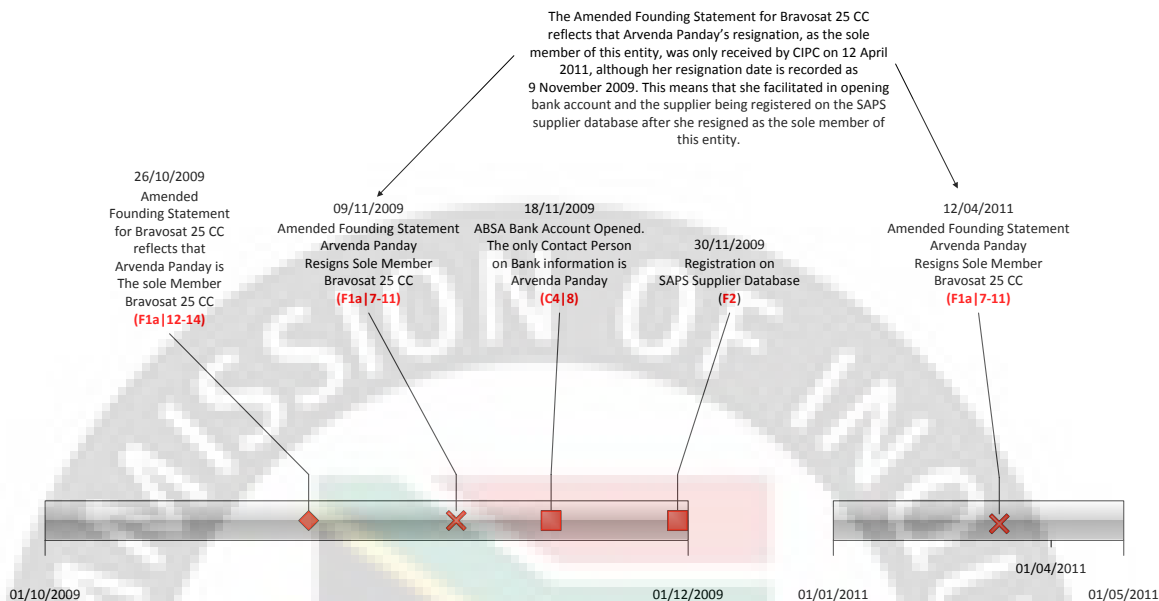


10.102 The only reasonable inference to be drawn from the fact that her particulars were provided to the SAPS when registering as a supplier on their database is because Panday did not want anyone to identify his relationship with this entity when submitting quotations for services to be provided. The reasons for this behaviour will also become apparent later in my report when I discuss the fact that the entities associated to Panday quoted against one another and that they used one bank account for the purposes of their business transactions.

10.103 A second example of the aforementioned modus operandi occurred in the Bravosat 25 CC matter where the details of Arvenda Panday was used in registering the supplier on the SAPS database on 30 November 2009 although she resigned as a member of this entity on 9 November 2009 and Panday obtained 100% interest in this entity on the same day. A timeline of these events is illustrated hereunder:

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## Timeline of Events relating to Bravosat 25 CC



**11.000 SUPPLY CHAIN MANAGEMENT USER MANUAL****A1****Preamble****A1|2**

11.001 The SAPS SCM user manual was included in my examination together with all supporting documents. My examination of the preamble to this document revealed that the Minister of Finance approved the promulgation of the Regulatory Framework for SCM which framework applied to all national and provisional departments and trading entities, constitutional institutions and public entities listed in Schedules 3A and 3C of the PFMA.

11.002 It is also recorded therein that the Framework took effect on 5 December 2003 and that it is a formal requirement of accounting officers to ensure the implementation of a SCM process that forms part of the financial systems.

**A1|2**

11.003 Paragraph 2 states that it is a requirement in terms of section 38 of the Public Finance Management Act (**PFMA**) that the Accounting Officer ensures that the SAPS has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

**A1|2**

11.004 The SCM manual that has been provided to me for further examination was compiled to achieve the aforementioned requirement for the SAPS and therefore the purchase orders and payments made to the five (5) entities under investigation ought to have been carried out in accordance with this SCM policy.

**Introduction**

11.005 Chapter 1 of the SCM manual describes the purpose of the abovementioned manual which essentially is to “*spell out the procurement directives for the SAPS*”.

**A1|11**

11.006 It further *“provides all stakeholders involved in the procurement process with:* **A1|11**

*a.) Guidelines for ensuring that all procurement transactions are carried out in a manner that is fair, equitable, transparent, competitive and cost-effective, thereby promoting good governance;*

*b.) It also outlines guidelines for promoting BEE/HDI's and SMME's e.g. though awarding preference points, waiver of security/sureties, break-out procurement, early payment cycles, simplification of bid submission requirements, establishment of data base of suppliers, etc; and [sic]”*

11.007 Paragraph 1.2 of the SCM policy provides a background to this document and the content thereof has been copied verbatim as detailed hereunder: **A1|11**

**“1.2 Background**

*1.2.1 Section 217 of the Constitution of the Republic of South Africa, Act 108 of 1996 is the foundation on which all procurement policies and procedures are based. It prescribes that when all organs of state procure goods and services they should do so through a system which is fair, equitable, competitive and cost effective. It also states that national legislation should prescribe a framework for the implementation of a procurement policy that will promote and protect Historically Disadvantaged Individuals (HDI's) and provide categories of preference in allocating contracts.*

*1.2.2 To give effect to Section 217 of the Constitution the Department of Finance enacted:*

*(a) The PFMA and related Regulation to provide guidelines for achieving good governance in the financial management including procurement; and*



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(b) *The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and Regulations to provide guidelines for achieving the socio-economic objectives of government through procurement.”*

11.008	Paragraph 1.3.3 reflects that in exceptional circumstances when price quotations or bids are received that exceed the delegated limits a motivation containing recommendations must be submitted to the delegated official in the next level of authority whilst paragraph 1.3.4 indicates that all SCM Practitioners and other role players must take all reasonable steps to prevent the abuse of the SCM system. It is further indicated in paragraph 1.3.5 that all SCM officials involved with SCM should adhere to the Code of Conduct for SCM Practitioners which document is contained as Annexure E to this manual.	A1 12 A1 12 A1 12
	<b>Code of Conduct Supply Chain Practitioners</b>	A1 258-264
	<b>Introduction</b>	
11.009	The introduction to the Code of Conduct for SCM Practitioners provides the background as to what is expected of SCM practitioners from an ethical point of view, both in their individual conduct and their relationship with others.	A1 260
11.010	Paragraph 2.4 of this Code states that SCM Practitioners should comply with the Code of Conduct for the Public Service as contained in chapter 2 of the Public Service Regulations, 2001 especially items C.4.5 to C4.12 and C.5.3 to C.5.4 thereof which are detailed verbatim hereunder:  <i>An employee:</i>  <i>C.4.5 Does not engage in any transaction or action that is in conflict with or infringes on the execution of her or his official duties;</i>	A1 260       A1 260

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C.4.6	<i>Will recuse herself or himself from any official action or decision-making process which may result in improper personal gain, and this should be properly declared by the employee;</i>	A1 260
C.4.7	<i>Accepts the responsibility to avail herself or himself of ongoing training and self development throughout her or his career;</i>	A1 260
C.4.8	<i>Is honest and accountable in dealing with public funds and uses the public service's property and other resources effectively, efficiently, and only authorised official purposes;</i>	A1 260
C.4.9	<i>Promotes sound, efficient, effective, transparent and accountable administration;</i>	A1 261
C.4.10	<i>In the course of her or his official duties, shall report to the appropriate authorities, fraud, corruption, nepotism, maladministration and any other act which constitutes an offence, or which is prejudicial to the public interest;</i>	A1 261
C.4.11	<i>Gives honest and impartial advice, based on all available relevant information, to higher authority when asked for assistance of this kind;</i>	A1 261
C.4.12	<i>Honours the confidentiality of matters, documents and discussions, classified or compiled as being confidential or secret;</i>	A1 261
C.5.3	<i>Does not use her or his official position to obtain private gifts or benefits for herself or himself during the performance of her or his official duties nor does she or he accepts any gifts or benefits when offered these as these may be construed as bribes;</i>	A1 261

PwC

*C.5.4 Does not use or disclose any official information for personal gain of others.”*

A1|261

11.011 Paragraph 4 of this Code of Ethics also deals with ethics and fair dealings where the following is recorded:

A1|261

*4.1 A supply chain management official or other role player:*

- *Must recognise and disclose any conflict of interest that may arise;*
- *Must treat all suppliers and potential suppliers equitably;*
- *May not use their position for private gain or to improperly benefit other persons;*
- *Must ensure that they do not compromise the credibility or integrity of the supply chain management system through the acceptance of gifts or hospitality or any other act;*
- *Must be scrupulous in their use of public property; and*
- *Must assist accounting officers or accounting authorities in combating corruption and fraud in the supply chain management.*

11.012 Paragraph 9 of this Code of Conduct prohibits combative practises and further defines examples of such practises as follows:

A1|263

*9.1 Combative practises are unethical and illegal and should be avoided at all cost. They include but are not limited to:*

- *Suggestions to fictitious lower quotations;*
- *Reference to non-existent competition;*
- *Exploiting errors in bids;*

- *Soliciting bids from bidders whose names appear on the list of restricted bidders/suppliers/persons.*

11.013	The abovementioned extracts referred to from the SCM Practitioners Code of Conduct is not a comprehensive summary of this Code as I have only referred to those sections that may be relevant to my report. Therefore, the reader of this report should read this Code in its entirety to appreciate the full extent of the Code of Ethics that is applicable for SCM Practitioners.	A1 258-264
	<b>Delegations of Powers</b>	A1 206-222
11.014	Annexure B1 of the abovementioned manual sets out the definitions applicable to this annexure as well as six parts that deal with the adjudication, evaluation and awarding of quotations or bids as detailed hereunder:	A1 207
	1. Part 1: Designation of Bid Committees;	A1 209
	2. Part 2: Invitation and Acceptance of Price Quotations up to the value of R200,000;	A1 210-213
	3. Part 3: Invitation of bids (exceeding R200,000 per case);	A1 214
	4. Part 4: Acceptance of bids (exceeding R200,000 per case);	A1 215-217
	5. Part 5: Urgent and Emergency Cases; and	A1 218
	6. Part 6: Contract Administration.	A1 219-222
	<b>Part 2: Invitation and Acceptance of Price Quotations up to the value of R200,000</b>	A1 210-213
11.015	The general conditions for the invitation and acceptance of price quotations up to the value of R200,000 are set out in paragraph 2.1 of the delegations. I shall refer to these general conditions hereunder although the reader of my report should read this paragraph in its entirety to appreciate the relevance of these delegations.	A1 210

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- 11.016 Any order up to the value of R200,000 may be accepted on a single quotation provided that the prices are proved and certified to be fair and reasonable. Proof of reasonableness must be obtained by:
- (a) Comparing prices, after discounts, to other normal clients and the relative discount that the state enjoys;
- (b) Profit before tax based on a full statement of relevant costs, if (a) is not possible;
- (c) Comparing previous prices where available; and
- (d) Obtaining an explanation from the supplier if the net profit before tax is more than 15% (which is the acceptable International Standard according to the World Bank).
- 11.017 Where a single quotation has been obtained the proof of reasonableness must be available for audit purposes and the approval must be granted by a functionary, who must indicate the applicable delegation number and date of approval. It is also indicated in these delegations that the official who is involved with the invitation of the price quotation may not approve the order.
- 11.018 A summary of these delegations in accordance with the various purchase amounts are detailed hereunder:

A1|210

A1|210

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No	Amounts	Description of Power	Delegation Post	NOTE	A1 211-212
1.	≤ R2000	No price quotations			A1 211
2.	> R2,000 and ≤ R10,000	No price quotations	A senior Provisioning Administration Officer at SCM	(01)	A1 211
3.	> R2,000 and ≤ R10,000	To approve reasons or motivation for not obtaining 3 price quotations	Equal or higher than Director attached to SCM.		A1 211
4.	> R10,000 and ≤ R30,000	Written competitive price quotations	Equal or higher level than Senior Provisioning Officer attached to SCM	(02)	A1 212
5.	< R200,000	Written competitive price quotations	Equal or higher level than Superintendent attached to SCM.	(02)	A1 212
6.	<R200,000	No Quotations	Equal or higher level than Director attached to SCM	(02)	A1 212
7.	<R200,000	To approve reasons or motivation for not obtaining at least three price quotations.	Equal or higher level than Director attached to SCM		A1 212

**NOTE**

- (01)
- (i) The functionary must obtain at least three verbal or written quotations from a list of prospective suppliers established for this purpose.
  - (ii) The order must be placed against a written confirmation of the price by the selected supplier.
- (02)
- (i) The power may only be exercised after written competitive price quotations have been obtained from as many suppliers as possible that are registered on the suppliers database.
  - (ii) The PPPF Act applies to quotations and invitations exceeding R30,000.
  - (iii) The quotation may be declined if supplier failed to submit a valid tax clearance certificate after being afforded an opportunity to comply.
  - (iv) It is not necessary to submit a new tax clearance certificate every time a new quotation is submitted if the SAPS is in possession of the suppliers original tax clearance certificate.



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11.019 The aforementioned delegations empower the procurement of supplies and services between the amount of R10,000 to R200,000 on the condition that three price quotations are obtained from suppliers registered on the SAPS database. This condition may be relaxed in cases where three quotations cannot be obtained and the reasons therefore are clearly motivated. In such cases the approval of the motivation may only be performed by an official with a rank of Director or higher attached to SCM Unit.

11.020 Where written price quotations have been obtained for an amount between R30,000 and R200,000 these purchases may only be approved by an official with the rank of Superintendent or higher attached to the SCM Unit.

### **Part 3: Invitation Of Bids Exceeding R200,000**

A1|214

11.021 The approval of bids which are greater than R200,000 may only be approved by the Bid Adjudication Committee. Hence, any procurement of goods and services of an amount greater than R200,000 can only be approved by the Bid Adjudication Committee. However, these delegations in part 3 also authorises the Section Head of SCM and Superintendents with the power to determine whether firm prices or non firm prices are applicable and they have the duty to supervise the receipt and processing of bids respectively.

A1|214

### **Part 4: Acceptance of Bids Exceeding R200,000**

11.022 The General Conditions for the acceptance of bids are the same as that provided for in part 2 – acceptance of price quotations up to R200,000 specifically with regards to reasonableness of accepting single bids as detailed in paragraph 11.016 to 11.017 of this report with the exception of the following:

A1|215

- (3) Bids must be duly scheduled and brought on a comparative basis and submitted together with a motivated recommendation to the relevant Bid Evaluation Committee for consideration.

A1|215

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(4) Reasons for the acceptance or rejection of a bid must be recorded in writing. The reasons must be comprehensive and clear and may on request, be submitted to the bidder concerned.

A1|215

(8) Minutes must be recorded. All the decisions of the bidding committees and the signatures of the chairperson and secretary of the committee must confirm the minutes.

A1|215

(9) Copies of the submissions to committees, their minuted decisions as well as copies of formal contracts must be placed on record for audit purposes.

A1|215

11.023 Paragraph 4.2 of the delegations contain the provisions with regard to the acceptance of bids exceeding R200,000. This paragraph provides that, *inter alia*, the following:

A1|216-217

No	Amounts	Description of Power	Delegation Post	NOTE
1.	< R3,000,000	Approve a bid	Bid Adjudication Committee with at least a Divisional Commissioner as Chairperson	
2.	>R3,000,000	Approve Bid	Bid Adjudication Committee with a Deputy National Commissioner as chairperson	

A1|217

A1|217

11.024 The conditions imposed on the abovementioned power delegated to these officials may only be exercised after consideration of the recommendations made by a Bid Evaluation Committee (**BEC**) for the commodity.

A1|217

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11.025	To summarise, any bid that exceeds R3,000,000 must be approved by a Bid Adjudication Committee ( <b>BAC</b> ) whose chairperson must be a Deputy National Commissioner. (Goldcoast was awarded a contract to the value of R29 million in respect of the 2010 soccer world cup ( <b>SWC</b> ) and therefore, their bid ought to have been approved by a Bid Adjudication Committee whose chairperson should have been a Deputy National Commissioner <sup>1</sup> .)	A1 217
	<b>Part 5 – Urgent and Emergency Cases</b>	A1 218
11.026	The SCM manual delegations in part 5 permit the SAPS to procure goods or services in cases when either an urgent or an emergency exists without following the set SCM policies as detailed above.	A1 218
11.027	The general conditions for urgent and emergency cases are detailed hereunder: <ol style="list-style-type: none"> <li>1. In cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical or in cases of emergency where immediate action is necessary in order to avoid a dangerous or risky situation or misery, it is permissible to deviate from the bid process and to invite price quotations.</li> <li>2. The relevant parties must confirm their offers in writing as soon as possible.</li> <li>3. The general conditions of contract apply to the purchase. All attempts must be made to obtain an original tax clearance certificate of the bidder before acceptance. Proof of all such attempts must be placed on record.</li> <li>4. The reasons for the urgency or emergency and the losses or consequences that will follow if action is not taken, must be certified by a functionary holding at least the rank of Director and placed the reasons on file for audit purposes. A lack of proper planning is,</li> </ol>	A1 218

<sup>1</sup> Refer to paragraphs 12.000 to 13.050 of this report.

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however, not regarded as an urgent case. It must therefore also be certified that the urgency is not as a result of lack of proper planning. Reasons for dispensing of competitive bids due to the urgency or emergency of the case should be clearly recorded and approved by the functionary.

5. The principle of competition must be adhered to as far as possible.
6. The PPFA must apply in all price quotations.
7. If only one price quotation is received and accepted, and taking the circumstances into account, reasonable steps must be taken to ensure that a fair price is obtained.
8. Statistics of all urgent and emergency cases must be recorded and placed on file to make them available upon request.

11.028 The delegation of powers to procure goods or services in respect of urgent and emergency cases may only be authorised by the BAC.

#### Chapter 4 – Satisfy Requirements by means of Price Quotations

A1|27-31

11.029 Chapter 4 of the SCM manual provides the detailed procedures that must be adhered to by SCM when obtaining price quotations from suppliers. This section must be read in conjunction with Part 2 of the Delegations re: Invitation and Acceptance of Price quotations up to R200,000 that is discussed in preceding paragraphs of this report<sup>1</sup>.

A1|27-31

A1|210-213

11.030 The procedures set out in chapter 4 are comprehensive and therefore, I have not repeated them in this report. The reader of this report should examine the content of these procedures and requirements in its entirety in order to understand the extent of them.

<sup>1</sup> I refer to paragraphs 11.015 to 11.020 of this report.

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- 11.031 However, I have summarised some of these procedures and requirements as detailed hereunder:
1. Price quotations **must** only be invited from suppliers appearing on the list of prospective suppliers; (The word must has been highlighted in the SCM manual in order to emphasise that this is mandatory); **A1|27**
  2. Suppliers must be rotated when inviting price quotations up to a value of R29,999.99; **A1|27**
  3. Orders should not be split in order to stay within the approved delegated amount; **A1|28**
  4. Users are responsible for inviting quotations up to R200,000; **A1|28**
  5. Items must be approved on the physical price quotation by the authorised SCM Practitioner; **A1|28**
  6. **The official responsible for the invitation of the price quotation may not approve such a price quotation;** (The words are in bold in the SCM manual); **A1|28**
  7. Copies of the price quotations must be attached to the PAS2-forms/Provisioning Advices that are filed on the G4 Voucher Files. **A1|28**
  8. In all cases at least three quotations must be obtained. In the event that it is not possible to obtain at least three quotations then a motivation must be prepared and submitted to a delegated official to consider approving it. **A1|28**
  9. Formal price quotations must be obtained when the price is between R10,000 and R200,000. The process followed in these instances are as follows: **A1|29**
    - 9.1. Approval must be obtained from the relevant SCM Acquisition office; **A1|29**

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|--------|--|-------|
| 9.2.   | A number Control Register must be opened with the following headings:  | A1 29 |
| 9.2.1. | Price quotation number;  |       |
| 9.2.2. | Description;   |       |
| 9.2.3. | Closing Date;  |       |
| 9.2.4. | Date awarded; and  |       |
| 9.2.5. | Successful company.  |       |
| 9.3.   | A file must be opened per price quotation number and must be filed in number sequence;   | A1 29 |
| 9.4.   | All quotations equal to or greater than R30,000 must be performed on the prescribed price quotations;  | A1 29 |
| 9.5.   | Price quotations that exceed R30,000 must be opened in public as soon as possible after the closing date. The price quotation is given a registration mark of authenticity as proof that it was received no later than the closing time and a list of all these quotations must be prepared. | A1 29 |
| 9.6.   | Price quotations must be considered per item and approved, with reference to the applicable delegation number and date. <u>Note</u> that the official involved with the invitation of the price quotation may not approve the price quotation.   | A1 29 |
| 9.7.   | In instances where a single price quotation is received it may be accepted provided that the prices are proved and certified to be fair and reasonable. Proof of reasonableness must be determined as follows:   | A1 30 |
| 9.7.1. | Comparison with previous prices where these are  | A1 30 |



available;

9.7.2. Where it is not possible, profit before tax based on a full statement of relevant costs;

**A1|30**

9.7.3. The acceptable nett profit for the different industrial sectors according to the International Standards by the World Bank is 15%. Therefore, when the nett profit before tax is more than 15%, the reasonableness of the price must be questioned and the supplier approached for an explanation.

**A1|30**

9.7.4. In cases where there is doubt regarding the cost figures, supplier must be requested to have the cost figures, in particular the inclusion of other cost elements and their allocation to the division or product concerned, certified as correct by an external auditor. These figures are usually questioned only when they appear to be unrealistically high as a result of suspected inefficiency, dishonesty, ignorance or whatever other reason.

**A1|31**

#### **Summary of Chapter 4**

- 11.032 In all instances where price quotations are requested, at least three quotations should be obtained from suppliers registered on the SAPS suppliers' database. However, should it not be possible to obtain three quotations then it is permissible to procure on a single quote provided that it is clearly motivated to a delegated official who must approve the motivation.
- 11.033 When an item is procured on a single quotation above R30,000 there must be an investigation performed into the goods being supplied to determine the reasonableness thereof.
- 11.034 It is important to note that the procedure to be followed when requesting quotations includes opening a number control register which register must contain certain information relating to the quotation. Included in this procedure

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is the opening of a file which file must contain the price quotation number and be filed in sequential order.

- 11.035 Any quotation over R30,000 must also be completed on the prescribed price quotations

#### **Chapter 5 – Invitation of Bids**

A1|32-46

- 11.036 Chapter 5 of the SCM manual provides the detailed procedures that must be adhered to by SCM when requesting invitation of bids. This section must be read in conjunction with Part 3 of the delegations Invitation of Bids exceeding R200,000 that is discussed in preceding paragraphs of this report<sup>1</sup>.

A1|32-46

A1|214

- 11.037 The procedures set out in Chapter 5 are comprehensive and therefore, the content thereof has not been repeated in this report. The reader of this report is encourage to read the content of chapter 5, in its entirety, in order to appreciate the requirements necessary to invite bids.

A1|32-46

- 11.038 I have referred to some of the more relevant information contained in chapter 5 for the purposes of this report as detailed hereunder:

1. All bids must be numbered in sequence preceding with an allocated alpha code. The number must be obtained from the Number Control Register with the following headings:

A1|33

- 1.1. Bid number;
- 1.2. SCM/Unit;
- 1.3. Collective name of case;
- 1.4. Publication date;
- 1.5. Closing date; and
- 1.6. Expiry date.

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<sup>1</sup> Refer to paragraphs 11.021 to 11.025.

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2. The numbers must commence with 1 annually and must end annually (the annual period being 1 January to 31 December); **A1|33**
3. A separate bid file must be opened for each invitation to bid and which must contain the following headings on the cover page: **A1|33**
- 3.1. Description of bid;
  - 3.2. Bid number;
  - 3.3. Advertising date;
  - 3.4. Closing date;
  - 3.5. Expiry date; and
  - 3.6. Extension date.
4. The aforementioned bid file should contain the following information relevant to the bid: **A1|33**
- 4.1. Prior approval (financially and functionally);
  - 4.2. Request from end user;
  - 4.3. Progress of bid;
  - 4.4. Master set of bid documents;
  - 4.5. Notice of advertisements;
  - 4.6. Copy of advertisement of the invitation to bid in Government Tender Bulletin;
  - 4.7. Record of bids issued;
  - 4.8. Record of bids received;
  - 4.9. Comparative lists;

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- 4.10. Correspondence with bidders;
- 4.11. Certificate and Report from Black Economic Empowerment section with regard to verification;
- 4.12. Bid recommendation;
- 4.13. Signed contract (Relevant SBD7 – form);
- 4.14. Record of verification from SARS, prior to award;
- 4.15. Letter / memorandum to the relevant role player;
- 4.16. All bids received (original);
- 4.17. Advertising of results (request to Government Printers);
- 4.18. Copy of the advertisement of the result in the Government Tender Bulletin;
- 4.19. Amendments on contract (either price adjustments, ceding of contracts or payments etc)
- 4.20. Approved appointment of the members of the Evaluation Committee;
- 4.21. Correspondence of verification of bidders with National Treasury with regard to the list of restricted suppliers;

**Advertisement**

- 11.039 Chapter 5 deals with a number of issues concerning the invitation to bid and includes in paragraph 5.4 and 5.5 the requirement to advertise in the Government Tender Bulletin and advertisements in the media respectively.
- 11.040 It is recorded in this chapter that bids are usually advertised in the Government Tender Bulletin only. However, when selling department assets, bids must also be advertised in at least two widely read and representative

**A1|38-39****A1|38-39****A1|38**

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newspapers to ensure wide spread exposure. In addition, bids should also be advertised at Acquisition Management: Bid Management.

- |        |   |              |
|--------|---|--------------|
| 11.041 | Advertisements in the media, in all other matters, is left to the discretion of the SCM Unit unless otherwise approved beforehand and are in addition to the advertisements that are recorded in the Government Tender Bulletin. Hence, all invitation for bids for the SAPS must be advertised in the Government Tender Bulletin.  | <b>A1 39</b> |
| 11.042 | <p>Paragraph 5.7 of chapter 5 deals with the single bid or sole source supplier. Essentially this section of chapter 5 states that the obtaining of single bids has a negative impact on the state procurement system because of the following:</p> <ol style="list-style-type: none"> <li>1. The market is never informed of the requirements and therefore, alternative suppliers are not afforded an opportunity to offer their products / services;</li> <li>2. Providing bid documents directly to selected suppliers / service providers without advertising the requirement creates the impression of favouritism or preference; and</li> <li>3. The principle of competition when inviting bids is not adhered to and comparable bids are therefore not obtained to test the reasonableness of prices.</li> </ol> | <b>A1 39</b> |
| 11.043 | <p>As a result of the abovementioned impact it is recorded in paragraph 5.7.2 of chapter 5 the following:</p> <p><i>“To eliminate the above perception and to achieve greater transparency on the requirements of the Department, all bids, including single or selected supplier / service provider bids must be advertised in at least the Government Tender Bulletin. Bid specifications for single or selected supplier / service provider must clearly indicate the specific requirement and the fact that only bidders complying with the requirements will be considered</i></p>   | <b>A1 39</b> |

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*for acceptance.”*

- 11.044 I can therefore conclude that it would be mandatory for the SCM unit to advertise any tender on behalf of the SAPS in the Government Tender Bulletin.

#### ***Urgent and Emergency Cases***

A1|45

- 11.045 Paragraph 5.18.6 of chapter 5 contains the provisions when dealing with urgent and emergency cases which are defined as follows:

A1|45

1. **Urgent cases** where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical, an institution may dispense with the invitation of bids and may obtain the required goods, works or services by means of quotations by preferably making use of the database of prospective suppliers.
2. **Emergency cases** are defined as cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.

#### ***General conditions for urgent and emergency cases***

A1|45

- 11.046 Paragraph 5.18.6.1.1 to 5.18.6.1.8 contains the terms and conditions for urgent and emergency cases. The most important aspect of these terms and conditions is contained in paragraph 5.18.6.1.4 which states that *the reason for the urgency or emergency and the losses or consequences that will follow if action is not taken must be certified by a functionary holding at least the rank of director in the line function and placed on file for audit purposes. A lack of proper planning is, however, not regarded as an urgent case. It must therefore also be certified that the urgency is not as a result of lack of proper planning (bold is my emphasis).*

A1|45



- 11.047 It is also stated in these general conditions that the principle of competition must be adhered to as far as possible whilst the SAPS are also required to record the statistics of all urgent and emergency cases which statistics must be kept on file and be available upon request.



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**12.000 2010 SOCCER WORLD CUP****Background**

12.001 I have determined that, prior to the 2010 Soccer World Cup (**SWC**) in South Africa, the SAPS had various meetings relating to the logistical and planning requirements for this event which meetings were known as “*Administration Support: Section 4: Soccer World Cup 2010: Priority Committee-KwaZulu-Natal*” (**Section 4 meetings**) (**Document No’s. 42322 to 42512**).

**B1 – B22**

12.002 The composition of this meeting comprised of the following persons (**Document No. 42323**):

**B1**

No	Rank	Surname	Component
1.	Director	N G Govender	Management Services
2.	Senior Superintendent	MC Stander	Information Systems Management
3.	Superintendent	R Govender	Information Systems Management
4.	Senior Superintendent	Wessels	Personnel Services
5.	Senior Superintendent	K Govender	Personnel Services
6.	Senior Superintendent	Moodley	Finance
7.	Captain	Cadman	Finance
8.	Senior Superintendent	Madhoe	Supply Chain Management
9.	Senior Superintendent	Odendaal	Supply Chain Management
10.	Superintendent	Nariadoo	Radio Communications
11.	Senior Superintendent	Gantanh	Radio Technical
12.	Senior Superintendent	Williams	Training
13.	Superintendent	Nayager	Training

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- 12.003 Some of the names that appear on the abovementioned table have been handwritten over a typed name. One of these officials being Senior Superintendent Madhoe (**Madhoe**) who is the section leader of the SCM Unit in KwaZulu-Natal . An example of this document is illustrated hereunder:

No	Rank	Surname	Component
1.	Director	N Govender	Management Services
2.	Senior Superintendent	MC Stander	Information Systems Management
3.	Superintendent	<del>IS Zulu</del> R. Govender	Information Systems Management
4.✓	Senior Superintendent	Wessels	Personnel Services
5.	Superintendent	K Govender	Personnel Services
6.	Superintendent	Moodley	Finance
7.	Captain	Cadman	Finance
8.	Superintendent	<del>Buttlinger</del> Buttlinger	Supply Chain Management
9.	Superintendent	Odendaal	Supply Chain Management
10.	Superintendent	Nariadoo	Radio Communications
11.	<del>Inspector</del> Inspector	<del>GANTANA</del> Govensamy	<del>RADIO TECHNICAL</del> Radio Communications
12.✓	Superintendent	Williams	Training
13.	Superintendent	Nayager	Training

B1

## Section 4 Meetings

- 12.004 The documents contained in a lever arch file marked volume 1 with reference 3/1/11(1) (**Document No. 42322**) included various documents relating to the section 4 meetings some of which included minutes of meetings, the earliest of which was held on 9 March 2009 (**Document No 42330**). However, I have determined from the aforementioned minutes that this meeting also dealt with "Matters Arising" and therefore, it would be reasonable for me to conclude that a previous meeting took place.

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- 12.005 I can also conclude from the examination of the aforementioned minutes that Madhoe was not present at the aforementioned meeting although he was present at a subsequent meeting held on 25 March 2009 (**Document No. 42334/5**) in addition to, subsequent meetings thereafter. A summary of these meetings that formed part of my analysis and which shows which of these meetings was attended by Madhoe is detailed hereunder.

No	Date of Meeting	Next Meeting	Doc Ref	Attended by Colonel Madhoe
1	09/03/2009	16/03/2009	42330-2	No
2	25/03/2009	06/04/2009	42334-5	Yes
3	13/07/2009	Not indicated	42336-7	No
4	03/08/2009	Not indicated	42338-40	No
5	07/09/2009	Not indicated	42341-2	No
6	21/09/2009	Not indicated	42343 -4	No
7	28/09/2009	Not indicated	42351-3	Yes
8	09/11/2009	23/11/2009	42357-9	No
9	18/11/2009	04/12/2009	42384-91	No
10	19/01/2010	25/01/2010	42366-71	Yes
11	25/01/2010	Monday	42372-3	No
12	08/02/2010	Monday	42374-5	No
13	15/02/2010	Monday	42379-81	No
14	22/02/2010	Not indicated	42376-8	Yes
15	08/03/2010	15/03/2010	42394-96	No
16	06/04/2010	Thursday	42397-42401	Yes
17	12/04/2010	19/04/2010	42402-10	Yes
18	26/04/2010	03/05/2010	42425-7	No
19	03/05/2010	10/05/2010	42429-31	Yes
20	10/05/2010	17/05/2010	18409-11	Yes

- 12.006 I perused the affidavit of Johannes Vusumuzi Ngubane, the designated minute taker of the Section 4 Minutes. Based on the Ngubane's minutes Madhoe was present at a meeting dated 09/02/2009. I further determined that in addition to the above there were also Section 4 meetings on the following days:

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No	Date of Meeting	Next Meeting	Doc Ref	Attended by Colonel Madhoe	
1	19/01/2009	22/01/2009	JVN1	No Attendance Register	A100 1
2	22/01/2009	Not Indicated	JVN2	No Attendance Register	A100 2
3	09/02/2009	16/02/2009	JVN3	Yes	A100 3
4	16/02/2009	02/03/2009	JVN4	No	A100 4
5	06/04/2009	Not Indicated	JVN7	No	A100 10
6	11/05/2009	18/05/2009	JVN8	No	A100 12
7	01/06/2009	Not Indicated	JVN9	No	A100 14
8	24/08/2009	Not indicated	JVN12	No	A100 21
9	31/08/2009	Not Indicated	JVN 13	No	A100 23
10	07/09/2009	Not Indicated	JVN14	No	A100 25
11	12/10/2009	Not Indicated	JVN16	No	A100 30
12	26/10/2009	09/11/2009	JVN17	Yes	A100 32
13	23/11/2009	07/12/2009	JVN19	No	A100 37
14	04/01/2010	18/01/2010	JVN21	No	A100 39
15	01/03/2010	08/03/2010	JVN25	No	A100 54
16	15/03/2010	Not Indicated	JVN27	No	A100 60
17	23/03/2010	29/03/2010	JVN28	No	A100 63
18	29/03/2010	06/04/2010	JVN29	Yes	A100 66
19	19/04/2010	26/04/2010	JVN30	Yes	A100 70

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References in the margin refer as follows:

(A - H) prefix - Annexure Number

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20	17/05/2010	24/05/2010	JVN34	Yes	A100 81
21	07/06/2010	14/06/2010	JVN35	Yes	A100 83

**Analysis of Section 4 Documents**

- 12.007 I have determined from an examination performed on all the documents contained in the section 4 file that, at no time, in any of the minutes or in correspondence between the various sections within the SAPS, was any reference made to Goldcoast Trading, especially when the issue of accommodation is discussed. However, I have determined that there were many references to either “accommodation” or “Coastlands<sup>1</sup>” in these documents. **B3 – B22**
- 12.008 In her affidavit, Colonel Moodley confirmed that she attended the Section 4 Meetings as a representative of the financial office of Province. She stated that during these meetings, when accommodation was discussed, Colonel Madhoe informed the meeting that Head Office was taking care of accommodation and they were arranging block booking and that they at Province did not have to sort out accommodation.
- 12.009 She further stated that at no stage during these meetings was Goldcoast Trading mentioned as a possible supplier that would be involved in sourcing and/or providing accommodation.
- (i) Meeting held on 11 May 2009**
- 12.010 The first time that accommodation is discussed in these minutes is in the meeting held on 11 May 2009 however, Madhoe was not present. According to these minutes, Senior Superintendent Odendaal was responsible for accommodation where the following is recorded: **A100|12**

<sup>1</sup> Coastlands is a group of hotels and resorts operating in KwaZulu-Natal. Refer to the affidavit of Ms Roshini Naidoo as discussed in paragraph 13.043 to 13.044 of this report.

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<p>- <b><u>Accommodation POP members</u></b></p> <p>Director Govender requested S/S Odendaal and S/S Ngema to assist on this matter urgently.</p> <ul style="list-style-type: none"> <li>- Schools</li> <li>- Universities</li> <li>- Police Colleges</li> </ul> <p>S/S Odendaal was also requested to draft a letter to Head Office requesting authority to use Police colleges during SWC period.</p>	S/S Odendaal
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**(ii) Meeting Held on 13 July 2009**

- 12.011 In the meeting held on 13 July 2009 (**Document No. 42336/7**) accommodation was also discussed however, Madhoe was not present. According to these minutes, Senior Superintendent Odendaal was responsible for accommodation where the following is recorded

<p>- <b><u>Accommodation of redeployment of members</u></b></p> <ul style="list-style-type: none"> <li>• Accommodation of POP members</li> <li>• 300 at Coastlands</li> <li>• 100 at Training College</li> </ul>	<p>S/S Odendaal</p> <p>Outstanding</p>
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- 12.012 It would be reasonable to conclude from these minutes that on 13 July 2009 that the police intended to accommodate at least 300 members at Coastlands whilst at a follow up meeting held on 3 August 2009 (**Document No. 42338/40**) the minutes indicated, in paragraph 4.6, that Senior Superintendent Odendaal informed the meeting Madhoe was waiting feedback from Coastlands and that the price was reduced to R295 per person. Further to the above, a follow up meeting on 24 August 2009 the minutes indicated “*awaiting quotation from Coastland. Email sent to S/S Kapp to confirm the exact number of members that will require accommodation*”.

- 12.013 Based on the content of the aforementioned minutes, I can conclude that as of 13 July 2009, Madhoe participated in some of the discussions surrounding the accommodation of police members during the SWC and that he was involved in negotiations with Coastlands.

B5

B5

B5|2

B6|2

A100|22

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**(iii) Meeting held on 28 September 2009****B9**

12.014 The minutes of the Section 4 meeting held on 28 September 2009 (**Document No. 42351|3**) indicates that another discussion surrounding the accommodation of police members for the SWC was discussed. It was at this meeting that the number of members to be accommodated increased from 300 (as reflected in the minutes for the meeting held on 13 July 2009, as discussed above) to 530 members.

**B9|1-2**

12.015 Madhoe was present at this meeting and he reported to the Committee that he was busy arranging accommodation for 530 police members which accommodation had to be booked and paid for in advance. He also reported to this Committee that the number of members had to be correct in order to avoid any unnecessary delays.

**B9|1-2**

12.016 Madhoe also reported to the Committee that he would arrange to get the contractor to inspect “the place” in order to get a quotation although the exact details of this place is not clear from these minutes. Senior Superintendent Moodley also stated that the matter would be reported to Director Nelson at Head Office.

**B9|2****(iv) Meeting held on 12 October 2009****A100|30**

12.017 The minutes of the Section 4 meeting held on 12 October 2009 indicates that Madhoe was not present at this meeting.

12.018 It is also recorded in these minutes in paragraph 4.1, under the heading “Accommodation” Senior Superintendent Odendaal informed the committee that “the letter has been forwarded to Head Office by Snr Supt Madhoe to request approval for accommodation of 530 members within Durban”.

**(v) Meeting held on 26 October 2009****A100|32**

12.019 The minutes of the Section 4 meeting held on 12 October 2009 indicates that Madhoe was present at this meeting.

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- 12.020 It is also recorded in these minutes in paragraph 4.1, under the heading “Accommodation”, that Madhoe informed the committee that “a letter was forwarded to Head for approval. Feedback outstanding from Head Office”.
- (vi) Meeting held on 09 November 2009** A100|35
- 12.021 The minutes of the Section 4 meeting held on 09 November 2009 indicates that Madhoe was not present at this meeting.
- 12.022 It is also recorded in these minutes in paragraph 4.1, under the heading “Accommodation for 530 members”, that “Feedback outstanding from Head Office. Snr Supt Odendaal to follow up and report feedback on the next meeting”.
- (vii) Meetings held on 23 November 2009,** A100|37
- 12.023 The minutes of the Section 4 meeting held on 23 November 2009 indicates that Madhoe was not present at this meeting.
- 12.024 It is also recorded in these minutes in paragraph 4.1, under the heading “Accommodation for 530 members”, that “Snr Supt Odendaal informed the committee that the request was forwarded to Head Office for approval and no feedback has been received yet. Snr Supt Madhoe to follow-up”.
- (viii) Meeting Held on 19 January 2010** B12
- 12.025 The minutes of the Section 4 meeting held on 19 January 2010 (**Document No. 42366/71**) indicates that a further discussion surrounding accommodation of police members for the SWC was discussed. I have determined from these minutes that Madhoe was present at this meeting. B12

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- 12.026 It is also recorded in these minutes, in paragraph 1, under the heading “*Accommodation for 530 members*”, that Madhoe has informed the committee that no progress had been received<sup>1</sup> and that National was handling all progress. He furthermore, indicated to the Committee that he had sent a letter to National and that Commissioner Pruis was addressing the matter Nationally; and that the Province had given their cost estimates<sup>2</sup> although National was handling the matter and they were sourcing service providers. **B12|1**
- 12.027 The Committee is also informed by Captain P Govender on this same issue that “National Joints” had two meetings regarding accommodation. National had formed an Oversight Committee with Directors Kruser and Lemoer. Commissioner Pruis was to meet with suppliers and thereafter, reports would be forwarded to the “oversight committee” who will report to the National Commissioner. Captain P Govender also indicated to the Section 4 Committee that a suggestion had been made to use the Training Colleges for accommodation. **B12|1**
- 12.028 Madhoe responded further to this issue stating that National had not sent a response to the query regarding accommodation although they had verbally responded. However, these minutes do not record what this verbal response was from National and therefore, I am unable to determine exactly what National’s response was concerning the accommodation of the 530 members. **B12|2**
- 12.029 Superintendent Pillay also informed the Section 4 Committee under this specific subject that Director Pillay had met with the Section 1 Commanders and that the target of 530 members was estimated to be higher than that stated in these minutes; although, I can conclude from the content of these minutes that he has indicated that the 530 members are for police officials that need to be accommodated from out of town and who would not be going home. **B12|2**

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<sup>1</sup> The minutes do not explain what progress was expected but it would be reasonable to conclude that, based on the minutes of meeting held on 22 February 2010, it had to do with funding and procurement. Refer to paragraph 12.039.

<sup>2</sup> A letter addressed to the National Commissioner dated 11 February 2009 sets out the costs of overtime, accommodation, equipment and expendables (**Document No. 42325|6 (B26)**).

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**Summary**

- 12.030 I can conclude that as of 19 January 2010, the Section 4 Committee in their discussions surrounding accommodation of 530 members, had indicated that National Joints had been meeting to discuss this subject and further that two of its members being Directors Kruser and Lemoer were part of an “oversight committee”.
- 12.031 I am unable to confirm the status or contents of these reports, if any, or what the outcome of this Oversight Committee was in relation to meeting with suppliers as no correspondence concerning this subject with this Committee has been provided to me.
- 12.032 I can conclude that Madhoe was involved in the discussions surrounding this subject, and that he had been liaising with National thereon, although the alleged verbal responses received from them have not been recorded in these minutes despite that fact that he had informed the Committee that he had received such responses.

**(ix) Meeting held on 25 January 2010**

- 12.033 The subject matter of accommodating 530 members is again discussed in the Section 4 Committee minutes which meeting was held on 25 January 2010 (**Document No. 42372|3**) and which was not attended by Madhoe as he was arranging transport to Bloemfontein.
- 12.034 According to the content of these minutes, I can conclude that the Committee was informed by Superintendent Steyn that no further progress had been received from National on the abovementioned subject.

**B13****B13|1**

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**(x) Meeting held on 8 February 2010****B14**

12.035 The subject matter of accommodating 530 members is discussed in the Section 4 Committee meeting held in 8 February 2010 (**Document No. 42374/5**). Madhoe does not appear on the attendance list neither is there a record of an apology for non attendance and therefore, I can conclude that he was not present at this meeting.

**B14|1**

12.036 The minutes once again indicate that the subject matter was being handled by National and that no progress had been received. It is unclear from these minutes exactly who was responsible for updating the Committee on this subject.

**(xi) Meeting Held on 15 February 2010****B15**

12.037 The subject matter of accommodating 530 members is discussed in the Section 4 Committee meeting held on 15 February 2010 (**Document No. 42379/80**). Madhoe does not appear on the attendance list neither is there a record of an apology for non attendance and therefore, I can conclude that he was not present at this meeting.

**B15|1**

12.038 The minutes once again indicate that the subject matter is being handled by National and that no progress had been received. It is unclear from these minutes exactly who was responsible for updating the Committee on this subject.

**B15|1****(xii) Meeting Held on 22 February 2010****B16**

12.039 The Section 4 Committee meeting held on 22 February 2010 (**Document No. 42376/7**) indicates that Madhoe has informed the Committee on the subject of accommodating 530 members that Director Prinsloo at National was busy with the process of funding and procurement.

**B16|1**

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<b>(xiii) Meeting held on 01 March 2010</b>		<b>A100 54</b>
12.040	The Section 4 Committee meeting held on 1 March 2010 indicates, under the subject of accommodating 530 members, that <i>“this is still outstanding awaiting feedback from National Head Office (Dir Prinsloo)”</i> .	
<b>(xiv) Meeting Held on 8 March 2010</b>		<b>B17</b>
12.041	The Section 4 Committee meeting held on 8 March 2010 ( <b>Document No. 42394/6</b> ) indicates, under the subject of accommodating 530 members, that the SAPS financial section were unable to create a FA (Financial Authority) for this subject as the Polfin system was closed.	<b>B17 1</b>
<b>(xv) Meeting held on 15 March 2010</b>		<b>A100 60</b>
12.042	The Section 4 Committee meeting held on 15 March 2010 indicates, under the subject of accommodating 530 members, <i>“Outstanding: Cannot Awaiting authority from Head Office”</i> .	
<b>(xvi) Meeting held on 23 March 2010</b>		<b>A100 63</b>
12.043	The Section 4 Committee meeting held on 23 March 2010 indicates, under the subject of accommodating 530 members, <i>“Outstanding: Awaiting authority from Head Office. Snr Supt Madhoe to give feedback in the next meeting”</i> .	
<b>(xvii) Meeting held on 29 March 2010</b>		<b>A100 66</b>
12.044	The Section 4 Committee meeting held on 29 March 2010 indicates, under the subject of accommodating 530 members, <i>“Outstanding: Snr Supt Madhoe informed the committee that a reminder has been forwarded to National Head Office for Feedback. Awaiting authority from Head Office. Feedback will be reported once response received from Head Office”</i> .	

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**(xviii) Meeting held on 6 April 2010**

- |  |   |                    |
|--|---|--------------------|
| 12.045   | The Section 4 Committee meeting held on 6 April 2010 ( <b>Document No. 42397/401</b> ) indicates, under the subject of accommodating 530 members, that Madhoe informed the Committee that a letter had been forwarded to National Treasury for additional funding and that feedback was outstanding. He also indicated that the budget for the accommodation 530 members had been approved and that it was coming from National budget.   | B18<br><br>B18 1-2 |
| 12.046   | The minutes also stated that <i>“LT Colonel DDS Pillay has included an extra month to cater for in addition to the 42 days. Colonel Madhoe stated that the deployment dates could become a problem. <b>This has a major impact of securing the accommodation bookings and funding.</b>”</i> Bold is my emphasis as it would indicate from this statement that there had been some negotiations with securing accommodation although there is no evidence in these minutes from exactly whom the SAPS had attempted to secure accommodation and the impact that this had on planning and securing the accommodation. | B18 2              |
| 12.047   | Paragraph 19 of these minutes also deal with the subject “deployment dates” in which Madhoe has informed the Committee that additional dates for deployment would pose a problem whereupon Brigadier Govender requested Madhoe to obtain the initial request for accommodation as proof of deployment dates.  | B18 4              |
| <b><i>Evidence Refuting Madhoe’s Statement</i></b> |   |                    |
| 12.048   | During the examination of documentary evidence seized by the police from various premises I identified three letters from Goldcoast Trading addressed to the police, two of which were addressed to Madhoe which refutes the above statement made by Madhoe to the Section 4 Committee on 6 April 2010 ( <b>Document No. 42397/401</b> ) being that <i>“the deployment dates could become a problem. This has a major impact on securing the accommodation bookings and funding”</i> . The particulars of these three letters are detailed hereunder:   | B18 2              |

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1. Goldcoast Trading letter dated 16 October 2009 for the attention of SAPS and or Charles Chauke (**Document No. 18440**); **B23**
  2. Goldcoast Trading letter dated 22 October 2009 for the attention of Madhoe regarding "Letter sent on 19 October 2009" (**Document No. 21021|2**); and **B24**
  3. Goldcoast Trading letter dated 9 May 2010 for the attention of SAPS Provincial Management and Madhoe regarding "Est court Deployment" (**Document No. 18412**). **B25**
- 12.049 The information contained in the abovementioned three letters with regards to the evidence of refuting Madhoe's statement is discussed hereunder:
- Goldcoast Letter dated 16 October 2009** **B23**
- 12.050 Goldcoast Trading issued a letter to the SAPS on 16 October 2009 (**Document No. 18440**) which letter purports to have been signed by Panday and which letter reads as follows: **B23**
- "As per our telephone conversation that Goldcoast Trading CC is an accommodation broking company.*
- We have blocked booked ±20,000 rooms in South Africa in various hotels and bed and breakfast. We will be accommodating in excess of 30,000 people during June and July 2010.*
- Please note and understand that these bookings were done mid 2008.*
- Thank you for your interest shown in our company and please understand that the demand for accommodation is exceptionally high during our world cup period. If this does not fulfil the need of the SARS [sic] various other companies are on our waiting list."* **B23**

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12.051 Based on the above statement in this letter that was made by Panday on behalf of Goldcoast Trading, he has represented to the SAPS or Charles Chauke that Goldcoast Trading had block booked in excess of 20,000 rooms in South Africa and that they furthermore, had other companies on their waiting list. *(Investigations performed into their bank accounts and invoices issued revealed that there is no evidence of Goldcoast Trading ever conducting business with any other clients other than the SAPS especially with regards to brokering accommodation.)*

B23

12.052 Xibengubengu George Chauke is a Colonel in the Sub Section Head Professional Diverse and Forensic Procurement. Je stated the following in an affidavit regarding Goldcoast and SWC accommodation:

*“During October 2009 we received an application from the Provincial Commissioner, Provincial SCM for the authority for accommodation for members to be deployed for the Soccer World Cup 2010. I handed this application to my commander Brig. F Mashika.*

B34

*Brig. Mashika perused the application and requested me to phone Col. N Madhoe and to request him to indicate the following:*

- 1. If Gold Coast Trading was accredited by the LOC for the provision of accommodation*
- 2. How did he (Col. N Madhoe) arrive at the figure (number) of members to be deployed as it was not yet indicated by NATJOC or the LOC*
- 3. As well as to inform him that the 50% requested in the application will not be approved by the Bid Adjudication Committee as it is in contravention of the Treasury Regulations.*

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*I phoned Col. N Madhoe and informed him about all the queries mentioned above in paragraph 4 and requested him to respond to the Brig. F Mashika's request. Col. N Madhoe never came back to me on these issues and I never phoned him again in this regard.*

*Col. J van Loggerenberg from ACTT, DPCI showed me a copy of a fax dated the 16<sup>th</sup> October 2009. This is a fax from a company called Gold Coast Trading CC and addressed to SAPS/Charles Chauke. The fax is from a Thoshan Panday. Col. Van Loggerenberg asked me if I had spoken to Thoshan Panday as the contents indicated. I am George Chauke not Charles Chauke as indicated in the fax and cannot recall speaking to Thoshan Panday as I handle many phone calls from different people on a daily basis. Col. Van Loggerenberg then asked me how would Thoshan Panday know about a Chauke in Head Office. I told him I don't know however because of the fact that I had already spoken to Col. N Madhoe as indicated above, he could have given the contact details to Thoshan Panday".*

B23

**Goldcoast Letter dated 22 October 2009**

B24

12.053 I have identified an unsigned Goldcoast Trading letter dated 22 October 2009 (Document No. 21021) amongst Goldcoast Trading exhibits which letter is addressed to Madhoe and appears to respond to a letter received from the SAPS dated 19 October 2009.

B24

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- 12.054 Paragraph 2 of this letter is in response to paragraph 2 of SAPS letter wherein the following is recorded:

B24|1

*“With regards to paragraph 4*

B24|1

- *The order must be issued to Goldcoast Trading Cc*
- *Goldcoast Trading*
  - *Goldcoast Trading is a vendor for the SAPS with a vendor number (please see annexure C). Please note that Goldcoast is in business of accommodation broking.*
  - *We deal with various hotels in the Durban area. We have blocked booked hotels for the World Cup.*
  - *The above was done around end 2008*
  - *We are going to place approximately 20000 people for this event.*

*With regard to paragraph 5*

B24|2

- *Registration with the SAPS and vendor no. (please see annexure C)*
- *Our company works on a profit margin of 20% gross.*

*Regards*

*Goldcoast Trading*

*Director: Thoshan Panday”*

- 12.055 The content of this letter confirms the letter that was submitted to SAPS / Charles Chauke (**Document No. 18440**)<sup>1</sup> in that Goldcoast Trading is an accommodation brokering company and that they had block booked hotels for the SWC which booking was done around the end of 2008 for which they were going to place approximately 20000 people.

B23

<sup>1</sup> Refer to paragraphs 12.050 to 12.051.

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- 12.056 Although this has nothing to do with the comment made by Madhoe at the Section 4 Committee meeting discussed in the abovementioned paragraphs, it is relevant to our analysis of their invoices since they have indicated to the SAPS that Goldcoast Trading only work on a profit margin of 20%. In other words, their mark up is 20% on their cost of sales<sup>1</sup>.
- Goldcoast Letter dated 9 May 2010** B25
- 12.057 I have identified an unsigned Goldcoast Trading letter dated 9 May 2010 (**Document No. 18412/3**) amongst the SCM exhibits which letter is addressed to Madhoe and appears to respond to a query received from the SAPS on the Estcourt deployment. B25
- 12.058 The content of this letter surrounds the placement of members over the Christmas period (24 December 2009) where Goldcoast Trading invoiced the SAPS at a rate of R1,350 per person (including VAT) in respect of their invoice numbers 10040, 10052, 10060, 10072, 10080, 10087 and 1001007. B25
- 12.059 Goldcoast Trading have provided the SAPS with the merits of their costs and the reasons for placing the NIU members at the said venues. I shall not discuss these in detail but advise the reader of my report to examine this document in its entirety to appreciate the reasons given by Goldcoast Trading. B25
- 12.060 What is relevant to my report is that it is recorded in this letter that “*Goldcoast works on a profit margin of 20%. We pay hotels upfront for accommodation booked by us*”<sup>2</sup>. Hence, this statement corroborates the statement made in their letter to Madhoe dated 22 October 2009 (**Document 21021**). B25|3

<sup>1</sup> Refer to paragraphs 20.000 to 0 of this report where I discuss the markups of costs by Goldcoast Trading to the SAPS in respect of the SWC and other deployments.

<sup>2</sup> Refer to paragraphs 20.000 to 0 of this report where I discuss the markups of costs by Goldcoast Trading to the SAPS in respect of the SWC and other deployments.

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**Summary of Goldcoast Letters**

- 12.061 It is therefore, reasonable to conclude, from the examination of the content of the three letters that were prepared in favour of the SAPS as discussed above, that Goldcoast Trading represented to SAPS representatives, including Madhoe, that they had block booked hotels for the SWC towards the end of 2008 and that they were going to accommodate 20,000 people during this event.
- 12.062 Madhoe was aware that accommodation was available and although Goldcoast Trading have indicated that they had other clients on their waiting list there is no evidence from the examination of their bank account or documentary evidence that they ever invoiced anyone else other than the SAPS.
- 12.063 Furthermore, they have represented to the SAPS that they are an accommodation brokering company who works on a profit margin of 20%. Evidence contained in my report will show that this statement is false as their margins vary between 60% to 560%<sup>1</sup>

**(xix) Meeting held on 12 April 2010**

- 12.064 The minutes of the Section 4 Committee meeting held on 12 April 2010 (**Document No. 42402/9**) are identical to the minutes of the Section 4 meeting held on 19 January 2010 (**Document No. 42366/71**) with the exception that the ranks of the police officials referred to in these minutes are not the same.
- 12.065 Hence, I shall not repeat the content thereof again other than to mention that the previous minutes held on 6 April 2010<sup>2</sup> indicate that the accommodation of 530 members had been resolved by National yet it is reported in these minutes that no progress had been made and that National are dealing with it (refer to paragraphs 12.025 to 12.029 of this report).

B19

B19

B12

B18

<sup>1</sup> Refer to paragraphs 20.000 to 20.292.<sup>2</sup> Refer to paragraphs 12.045 to 12.047.



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- 12.066 As a result, it would appear that the content of the minutes for the Section 4 Committee meeting on 12 April 2010 may not be a true account of the discussions that took place at this meeting. However, also included in the Section 4 Committee file is a letter dated 12 April 2010 from the Provincial Commissioner of the SAPS in Durban addressed to the Chairperson of the National Joints in Pretoria for the attention of Lieutenant General Pruis titled *“Physical Resources 2010 KZN Needs”* wherein it is recorded in paragraph 2.1 that *“it was indicated by the Head: Supply Chain Management National that accommodation for 800 members will be handled via their office, which will include the funding. To date no official confirmation in this regard has been received.”*
- 12.067 The Minutes between the period 6 to 12 April 2010 appear ambiguous in that, in the minutes of the meeting for the 6 April 2010, Madhoe has informed the Committee that the budgets have been approved whilst the subsequent meeting held on 12 April and 3 May 2010 he has indicated that the accommodation issue is still with National. Even in the minutes for the meeting,<sup>1</sup> held on 10 May 2010, it is confirmed that this matter is still outstanding.
- (xx) Meeting held on 26 April 2010**
- 12.068 The Section 4 Committee meeting held on 26 April 2010 (**Document No. 42425/7**) indicates, under the subject of accommodating 530 members, that Colonel Odendaal informed the Committee that this matter was at National and that feedback would be reported once finalised by Head Office.
- 12.069 It was further submitted to this Committee by Lieutenant Colonel Pillay that the deployment of the 530 members was expected to take place between the period 14 May 2010 to 30 July 2010; whilst the members who were to be deployed at Highway Command would be deployed between the period 14 May 2010 to 20 July 2010.

B19

B19a|1-2

B18 – B19

B19 &amp; B21

B22

B20

B20

B20|1

<sup>1</sup> Refer to paragraph 12.073 to 12.074 of my report.



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- 12.070 The minutes for this meeting do not record Madhoe's name as one of the participants at this meeting and based thereon, it would be reasonable to conclude that he was not in attendance.

**(xxi) Meeting Held on 3 May 2010**

B21

- 12.071 The Section 4 Committee meeting held on 3 May 2010 (**Document No. 42429/30**) indicates, under the subject Accommodation for 760 members, that Madhoe informed the Committee that this issue was still outstanding and that a reminder had been sent to Head Office on 29 April 2010 whilst a copy thereof had been forwarded to Brigadier Nelson of the National Finance Section where feedback was expected a week subsequent to the date of this meeting.

B21|1

- 12.072 The Committee was also informed by Colonel Moodley that correspondence had been received from Head Office Budget Section on 28 April 2010 in which the Committee was required to provide feedback to Head Office on manpower by 3 May 2010 and that this had been delegated to Lieutenant Colonel Pillay for consolidation.

B21|1

**(xxii) Meeting Held on 10 May 2010**

B22

- 12.073 During the examination of documentary evidence made available to me for the purposes of this report, I identified minutes of the Section 4 Committee meeting in another file for a meeting that was held on 10 May 2010 (**Document No. 18409/11**).

B22

- 12.074 Paragraph 1 of these minutes deals with the subject "*accommodation for 760 members*" wherein Madhoe "informed the committee that the issue of accommodating members was outstanding and that no written feedback had been received from Head Office. He also informed the Committee that General Pillay had informed him that he was busy sorting out this issue and the feedback would be received once approval had been obtained.

B22|1

PwC

24 November 2014**(xxiii) Meeting held on 17 May 2010****A100|81**

- 12.075 The Section 4 Committee meeting held on 17 May 2010 indicates, under the subject of accommodating 760 members, that *“Brigadier Govender informed the committee that this issue was discussed with Lt Gen Prius in the meeting on Friday last week where it was mentioned that Head Office is waiting for the final deployment list and this will only approved once the list has been received.*

*Lt Colonel Pillay informed the committee that he received the needs accommodation for Mounted Unit members from Lt Colonel Mdlalose and he also mentioned that Brigadier Harry wants more people and Lt Colonel Pillay was tasked to verify and get the final name list”.*

**(xxiv) Meeting held on 07 June 2010****A100|83**

- 12.076 The Section 4 Committee meeting held on 7 June 2010 indicates, under the subject of accommodating 760 members, *“Outstanding: Colonel Madhoe informed the committee that this has been approved at National”.*

**Summary of Findings (SWC Committee Meetings)**

- 12.077 Madhoe attended the Section 4 Committee meetings from at least 9 February 2009 although he was not in attendance at all meetings subsequent thereto. At these meetings he was actively involved in reporting to the committee on the status of accommodating 530 to 760 police members that formed the subject of some of these meetings concerning the funding and procurement.

PwC

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- 12.078 The issue with regard to accommodation was submitted to Head Office and no responses appear to have been received. The last minutes that have been reviewed are for a meeting that took place on 07 June 2010. In these minutes, Madhoe has informed the Committee that the accommodation for the 760 members had been approved at National. It should be noted that from the Section 4 minutes it appears that a decision was only made between end on May 2010 to 7 June 2010 which coincides with the function arranged by Panday for the Provincial Commissioner's husband's 50<sup>th</sup> birthday party held on 29 May 2010 to be discussed in further detail under the section "*Benefits or Payments made to Police Personnel by Panday*".
- 12.079 Minutes of a meeting held on 19 January 2010 and 12 April 2010 are identical with the exception of font size and the ranks of police officials involved in these meetings. For example, Madhoe is referred to as Senior Superintendent and Colonel respectively at these meetings. (During these periods the police changed its rank structure to a Military organisation hence, the change in the rank names.)
- 12.080 It is recorded in the minutes of the meeting held on 6 April 2010 that Madhoe informed the Committee that the budget for the accommodation of the 530 members had been approved from the National budget however, in subsequent meetings held on 12 April 2010, 3 May 2010 and 10 May 2010 it is recorded in these minutes that the Committee was still waiting for National on the accommodation issue.

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- 12.081 The minutes of the meeting held on 6 April 2010 also indicate that the Committee was informed by Madhoe that deployment dates could be a problem, and that this was because of the major impact of securing accommodation bookings and funding. However, one of the documentary exhibits contained in a file seized from Goldcoast Trading (File 62) included a letter dated 22 October 2009 that was addressed to Madhoe in which they have indicated that Goldcoast Trading deal with various hotels in the Durban area and as a result, they had block booked hotels for the SWC. Allegedly, this was done around the end of 2008.
- 12.082 In addition, there was a further letter from Goldcoast Trading, although not addressed to Madhoe but addressed to the SAPS, wherein Goldcoast Trading confirmed that they had block booked 20,000 rooms across South Africa in various hotels to accommodate in excess of 30,000 people which bookings were done in 2008. The SAPS were further advised that if these rooms did not fulfil the need of the SAPS there were various other companies on their waiting list.
- 12.083 Based on the documentation found amongst Goldcoast Trading's exhibits, it would appear that the statement made by Madhoe to the Section 4 Committee on 6 April 2010, that securing accommodation bookings and funding was impacting on the deployment dates, is not true since Madhoe had already known on or about 22 October 2009 that Goldcoast Trading had already made block bookings for the SWC in 2008 and was offering these to SAPS.

**Correspondence regarding the Soccer World Cup**

- 12.084 The Section 4 Committee file contained additional documents relating to correspondence on the planning and logistical requirements for the SWC. Some of these documents including the following:

1. Letter from KZN Provincial Commissioner dated 11 February 2009 to the National Commissioner (**Document No. 42325**);

**B26**

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2. Letter from KZN Provincial Commissioner's dated 20 April 2010 addressed to the Chairperson of the National Joints in Pretoria and marked for the attention of Major General Pillay and Lieutenant General Pruis (**Document 42421**); **B28**
- (i) Letter from KZN Provincial Commissioner dated 11 February 2009** **B26**
- 12.085 The Office of the Provincial Commissioner in KZN submitted a consolidated needs for the SWC which appears to be signed by BA Ntanjana to the National Commissioner's Office on 11 February 2009 (**Document No. 42325**) in which the Province reported that "in order to approach the challenges of the '2010' successfully, the Province requires an amount of R30 million, which includes overtime, accommodation, equipment and expendables. **B26 & B27**
- 12.086 The Province requested the National Office to be given directives on the following issues: **B26|1**
1. Procurement of the needs and time frames (Head Office / Province);
  2. Financial process in terms of issuing financial authorities and budget account number from where funds can be accessed.
- 12.087 There is no evidence available to confirm what the response was from National Office in respect of the Provincial request and therefore, I cannot determine what instructions, if any, were provided in response to these questions detailed above.
- (ii) Letter from KZN Provincial Commissioner dated 20 April 2010** **B28**
- 12.088 On 20 April 2010 the KZN Provincial Commissioner submitted a letter to the Chairperson of the National Joints which appears to be signed by BA Ntanjana, marked for the attention of Major General Pillay and Lieutenant General Pruis, regarding the physical resources required for the SWC (**Document No. 42421/2**). **B28 & B29**

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- 12.089 According to the content of this letter, I have determined that the KZN Province had revised its operational plans and resources for the SWC where it is indicated that an amount of R75,681,119.84 was required. The addressee of this letter was asked to ignore a previous letter that was submitted in this regard dated 12 April 2010. **B28|1**  
**B29**
- 12.090 Paragraph 2.1 of this letter states that Head Office SCM National had indicated that accommodation for 800 members would be handled by their office including the funding thereof. The author of this document has informed the addressee that no official correspondence had been received concerning this statement. I have also not been able to locate any documents which confirms that the SAPS National Office have responded to the contents of this letter. **B28|1**
- 12.091 Included with this letter is a schedule titled “Needs 2010 Soccer World Cup: KwaZulu-Natal” (**Document No. 42419/20**) where I can confirm that accommodation costs were estimated at R62 million rand (**Document No. 42420**). **B29**
- Summary of Findings**
- 12.092 Documentation in the Section 4 Committee meeting indicates that National Office of the SAPS was requested to provide some directives on procurement and accommodation requests concerning the logistical arrangements with the SWC however, there is no evidence to corroborate whether they ever responded to the letters submitted to them by the Provincial Office in KZN.
- 12.093 It can be corroborated that as of 20 April 2010 that the estimated needs analysis indicated that accommodation would be R62 million.

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### 13.000 TENDER DOCUMENTS 2010 SOCCER WORLD CUP FOR ACCOMMODATION

#### Background

13.001 On 8 October 2009 the Office of the KZN Provincial Commissioner submitted an application for authority for accommodation for the SWC which was addressed to the National Commissioner (**Document No. 18435/6**) and which appears to be signed by BA Ntanjana. Madhoe's name appears in the Enquiries column of this letter and therefore, it would be reasonable to conclude that he would have been involved with this application.

B34

13.002 According to paragraph 3 of this letter the following is recorded:

B34|1

*"In view of their needs various service providers were contacted for accommodation and their responses were as follows:*

- |                             |                            |
|-----------------------------|----------------------------|
| 1. Holiday Inn Garden Court | No accommodation available |
| 2. Blue Waters              | Fully Booked               |
| 3. Pendleburys Guest Suites | No Response                |
| 4. Tropicana Hotel          | No Response                |
| 5. Southern Sun Hotel       | No Response                |
| 6. Coastlands               | No Response                |
| 7. Emakhosini Hotel         | No Response                |
| 8. Goldcoast Trading        | Response Received"         |

13.003 It is also recorded in paragraph 4 of this letter that Goldcoast Trading had managed to source accommodation for all 530 members at the following venues:

B34|1

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1. Bellaire Hotel;
  2. Coastlands; (Paragraph 3 indicates that Coastlands did not respond. It will be discussed hereunder that Coastlands disputes that they were approached by the SAPS to provide a quotation. They also deny that Panday or Goldcoast Trading had secured accommodation with them as the first time that they became aware of Panday or Goldcoast Trading was in May 2010.) **B33**
  3. PL Lodge; and
  4. Albany Suite.
- 13.004 The addressee of this letter has indicated in paragraph 3 that Coastlands did not respond to their request yet Goldcoast Trading in paragraph 4 have indicated that they have secured accommodation from Coastlands. From the evidence available to me, specifically the affidavit of Roshini Naidu<sup>1</sup>, I have determined that Coastlands had responded to the police however, it appears that their documentation was ignored or not included with the accommodation pricing. **B34|1**  
**B32 & B33**
- 13.005 In addition to the above, the analysis of suppliers used by Goldcoast Trading to accommodate police members during the SWC on behalf of the police revealed that they used the following suppliers:
1. Reservoir (Willow Park);
  2. McDonalds B&B Lodge;
  3. Windermere Apartments;
  4. Coastlands;
  5. Seaboard Hotel;

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<sup>1</sup> Refer to paragraph 13.043.

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6. Tenbury;
7. Beach Hotel;
8. Hampshire Hotel;
9. Impala Flats; and
10. Royal Hotel

- 13.006 The abovementioned letter also indicates that the deployments would take place between the period 1 June 2010 to 12 July 2010 and that the aggregate cost of accommodation was R21,703,500. (The date of this letter was some time prior to the letter from the KZN Provincial Commissioner dated 20 April 2010<sup>1</sup>). **B34**
- 13.007 Included with this letter are the following documents:
1. SAPS Written price quotation from Goldcoast Trading in the amount of R21,703,500 (**Document No. 18437/8**) that appears to be signed by Panday for the period 1 June 2010 to 12 July 2010; **B35**
  2. Goldcoast letter dated 6 October 2009 regarding “Accommodation for the SAPS” (**Document No. 18439**) that appears to be signed by Panday; **B36**
  3. Goldcoast letter dated 16 October 2009 for the attention of SAPS or Charles Chauke (**Document No. 18440**)<sup>2</sup> that appears to be signed by Panday; **B37**
  4. SAPS Written price quotation from Goldcoast Trading for the period 1 to 12 June 2010 (**Document No 18441/2**); **B38**
  5. SAPS Written price quotation for Holiday Inn for the period 1 to 12 June 2010 (**Document No. 18443/4**); **B39**

<sup>1</sup> Refer to paragraph 12.088 to 12.091.

<sup>2</sup> This document has already been discussed in paragraphs 12.050 to 12.051 and I shall not repeat the findings thereof again.

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	6. SAPS Written price quotation for Bluewaters Hotel for the period 1 to 12 June 2010 ( <b>Document No. 18447/8</b> );	<b>B40</b>
	7. SAPS Written price quotation for Pendlebury's for the period 1 to 12 June 2010 ( <b>Document No. 18449/50</b> );	<b>B41</b>
	8. SAPS Written price quotation for Tropicana Hotel for the period 1 to 12 June 2010 ( <b>Document No. 18451/2</b> );	<b>B42</b>
	9. SAPS Written price quotation for Southern Sun Hotel for the period 1 to 12 June 2010 ( <b>Document No. 18453/4</b> );	<b>B43</b>
	10. SAPS Written price quotation for Coastlands for the period 1 to 12 June 2010 ( <b>Document No. 18455/6</b> ); and	<b>B44</b>
	11. SAPS Written price quotation for Emakhosini Hotel for the period 1 to 12 June 2010 ( <b>Document No. 18457/8</b> ).	<b>B45</b>
13.008	I have determined from the examination of the abovementioned SAPS price quotations that all of them, with the exception of the first one from Goldcoast ( <b>Document No. 18437/8</b> ), were not signed or completed by the representative of each of these hotels and therefore, I cannot verify that the information contained thereon is from either of these entities. Neither is there any evidence to validate that the quotations were either faxed or emailed to these entities by the SAPS SCM personnel which I would usually expect to be available as proof that there was an attempt to obtain quotations from the suppliers who were unresponsive in the attached quotations <sup>1</sup> .	<b>B35 – B45</b>  <b>B35</b>
13.009	I can conclude that it is recorded on all the price quotations that any enquiries regarding the technical information may be directed to Captain Aswin Narainpershad and therefore, it would be reasonable to conclude that Narainpershad was involved with the process of obtaining quotations.	<b>B35 – B45</b>

<sup>1</sup> Refer to the affidavit of Roshini Naidu, an Executive Director at Coastlands. Refer to paragraphs 13.043 to 13.050.

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- 13.010 The price quotation from Goldcoast Trading is dated 2 October 2009 and reflects that the quotation was for 530 persons for 42 days at R975<sup>1</sup> per person with the aggregate cost being R21,703,500. Based on the aforementioned cost, and the fact that the cost of this service was above R3,000,000, it was necessary, in terms part 3 of the SCM policy Invitations of bids exceeding R200,000, that such procurement be approved by the Bid Adjudication Committee whose chairperson had a rank of Deputy National Commissioner<sup>2</sup> in addition to, the requirement that it is mandatory for bids in excess of R200,000 to be advertised in the Government Tender Bulletin<sup>3</sup>. **B35**  
**A1|217**
- 13.011 There is no evidence to corroborate that the abovementioned quotations were obtained in response to an advertisement that had been placed in the Government Tender Bulletin. Furthermore, the price quotations for those suppliers that were not signed by their representatives suggests that the suppliers responded to verbal requests that may have been conducted over the telephone (with the exception of Coastlands) by Captain Narainpershad. In light of the motivation in the submission to the Bid Adjudication Committee dated 4 June 2010 (**marked 000025|3-4<sup>4</sup>**), namely that the accommodation of police members during the SWC must not be known to members of the public and therefore, it was impossible to advertise, would therefore, be reasonable to conclude that the procurement for the accommodation of members during the SWC was never advertised. **B47|2**
- Tender Documents SWC Accommodation**
- 13.012 I have been provided the source documents relating to the procurement of the service providers for accommodation for the SWC and have determined from the examination thereof that the abovementioned price quotation supplied by Goldcoast Trading (**Document No. 18437/8**) was not used in the final assessment or approved by the SAPS management. **B35**

<sup>1</sup> The minutes of the Section 4 Committee meeting dated 13 July 2009 indicates that Madhoe was allegedly waiting for feedback from Coastlands and that the price was reduced to R296. Refer to paragraph 12.012.

<sup>2</sup> Refer to paragraphs 11.023 to 11.025.

<sup>3</sup> Refer to paragraphs 11.039 to 11.044.

<sup>4</sup> Refer to paragraphs 13.022 to 13.039 (Specifically 13.025).

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13.013 The procurement documents provided to me include the following:

- |   |     |
|---|-----|
| 1. Information Note to the National Commissioner of the SAPS re: “11/1/3 (09/10): Application for Approval: Accommodation and Meals for SA Police Service Members who will be deployed at the soccer world cup 2010 in KwaZulu Natal from 2010-05-31 to 2010-07-12.” (marked 000025 1-2); | B46 |
| 2. Submission – Bid Adjudication Committee dated 4 June 2010 re:” 11/1/3 (09/10): Application for Approval: Accommodation and Meals for SA Police Service Members who will be deployed at the soccer world cup 2010 in KwaZulu Natal from 2010-05-31 to 2010-07-12.” (marked 00025 3-4);  | B47 |
| 3. SAPS letter from the KZN Provincial Commissioner addressed to the Divisional Commissioner SCM in Pretoria dated 2 June 2010 re: “Submission: Soccer World Cup 2010: Accommodation Needs: KwaZulu Natal” (marked 000025 5-6);   | B48 |
| 4. Annexure B(12) Part 5 Urgent and Emergency Cases marked as Annexure “B” (Marked 000025 7);   | B49 |
| 5. SAPS letter from the KZN Provincial Commissioner addressed to the Divisional Commissioner SCM dated 26 May 2010 re: “Submission: Soccer World Cup 2010: Accommodation Needs: KwaZulu Natal” marked as Annexure “A” (marked 000025 8-9);  | B50 |
| 6. SAPS Written Price Quotation from Coastlands dated 15 May 2010 in the amount of R2,240,000 (marked 000025 10-11);  | B51 |
| 7. Tax clearance certificate for Coastlands (marked 000025 12);   | B52 |
| 8. SAPS Written Price Quotation from Pendleburys dated 26 May 2010 in the amount of R1,827,500 (marked 000025 13-15);   | B53 |
| 9. Tax Clearance certificate Pendleburys (marked 000025 16);  | B54 |

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10. SAPS Written Price Quotations from Goldcoast Trading dated 27 May 2010 for the amounts of: R22,551,350; R3,451,000; R1,985,600; R4,760,000 (**marked 000025|17-22**); and

B55

11. Tax clearance certificate for Goldcoast (**marked 000025|23**);

B56

13.014 I shall discuss the content of the information contained in these documents below:

**(i) Goldcoast Trading Price Quotations Soccer World Cup**

13.015 As a result, I can conclude that Goldcoast Trading completed four price quotations in relation to the services provided which in aggregate amounted to R32,748,950. A summary thereof is detailed hereunder:

Deployment Period	No. of Attendees	No. of Days	Tariff per person per day (R)	Total (R)
31 May – 12 July 2010	617	43	850	22,551,350
1 June – 29 June 2010	140	29	850	3,451,000
10 June – 12 July 2010	73	32	850	1,986,600
11 June – 8 July 2010	200	28	850	4,760,000
<b>Total</b>				<b>32,748,950</b>

B55

B55|1

B55|2

B55|3

B55|4

**(ii) SAPS Submission dated 26 May 2010 (000025|8-9)**

B50

13.016 The submission from the KZN Provincial Commissioner to the Divisional Commissioner at SCM in Pretoria dated 26 May 2010 indicates that the addressee “*managed to secure accommodation within the Durban Metropolitan area (4 km radius) which is in close proximity to the venues that are going to be used for the SWC 2010*”.

B50

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- 13.017 Only three entities were recommended to provide the services required being Pendleburys', Coastlands and Goldcoast Trading whose services in aggregate amounted to R36,877,500. A summary of the individual costs payable to each of these service providers are detailed hereunder:

Deployment	Supplier	No Members	No of days	Rate / Night (R)	Cost (R)
1	Pendlebury	50	43	850	1,827,500
4	Coastlands	200	28	400	2,240,000
1-4	Goldcoast Trading	1030	28 - 43 <sup>1</sup>	850	32,810,000
<b>Total</b>					<b>36,877,500</b>

- 13.018 According to the content of this document, it is recorded therein that Goldcoast Trading is an accommodation broker who would be able to accommodate the police members at the following venues:

1. McDonalds Lodge;
2. Bellarie Suite;
3. Bayside Hotel;
4. Palm Beach Hotel;
5. Hampshire Hotel;
6. Bayside Lodge; and
7. Wyham Court.

<sup>1</sup> The number of days booked for members varied between 28 and 43 (refer to paragraph 13.015).

B50

B50|

B50|2 &amp; B53

B50|2 &amp; B51

B50|2 &amp; B55

B50|2

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- 13.019 The aforementioned seven entities are different to the names that were initially provided to the National Commissioner's office on 8 October 2009 (**Document No. 18435/6**)<sup>1</sup>; whilst it is also indicated in paragraph 4 of the SAPS letter dated 8 October 2009 (**Document No. 18435/6**) that Coastlands was one of Goldcoast Trading's service providers although their name is not one of the seven entities identified in paragraph 13.018 1 to 7 (**marked 000025/5-6**). **B34**
- 13.020 I will further show in my report that Goldcoast Trading did not use all seven of the abovementioned suppliers when sourcing accommodation for the SAPS during the SWC<sup>2</sup> although they did use Coastlands who were, according to the recommendation in the submission to the Bidding Committee (**marked 000025/3-4**), one of the suppliers identified by the police and who were awarded a contract in the amount of R2,240,000 where the rate of R400 per person per night was provided instead of Goldcoast Trading's rate of R850 per night. This means that Goldcoast Trading's profit margin, in relation to the deployments at Coastlands, was 113% as opposed to 20% as alleged in their letters to the SAPS dated 22 October 2009 (**Document No. 21021**)<sup>3</sup> and 9 May 2010 (**Document No. 18412/3**)<sup>4</sup>. **B48**  
**B24**  
**B25**
- 13.021 The aforementioned submission, that was submitted from the office of the Provincial Commissioner SCM (**marked 000025/5-6**), also contains Madhoe's name in the enquiries column and therefore, it would be reasonable to conclude that he was involved with this process. **B48**

<sup>1</sup> Refer to paragraph 13.003 numbers 1 to 4.<sup>2</sup> Refer to paragraph 20.261 1) to 10).<sup>3</sup> Refer to paragraphs 12.053 to 12.056.<sup>4</sup> Refer to paragraphs 12.057 to 12.060.

**(iii) Submission – Bid Adjudication Committee dated 4 June 2010  
(000025/3-4)**

- |        |  |              |
|--------|--|--------------|
| 13.022 | The submission made to the bid adjudication committee dated 4 June 2010<br><i>(this is the same date when the first deployments were to take place – Refer to Deployment 1 which was for the period 4 to 30 June 2010)</i> is addressed to the Chairperson of the BAC and purports to come from Captain Court and or PAC Sindane <b>(marked 000025/3-4)</b> .  | <b>B47</b>   |
| 13.023 | The submission is in respect of the Application for approval of accommodation and meals for the SAPS who were to be deployed at the SWC in 2010, between the period 31 May 2010 to 12 July 2010 and the purpose thereof, was <i>“to obtain approval to deviate from normal bidding procedures by finalising the abovementioned requirement on a quotation basis in terms of paragraph 16A6.4 of treasury regulations issued in terms of the PFMA dated March 2005 on an urgent basis.”</i> | <b>B47</b>   |
| 13.024 | The author of this document has also indicated that in light of the request that was made by the Provincial Commissioner’s SCM Office, it was difficult to find one service provider who would be able to accommodate a large number of members and therefore, accommodation was sourced from different service providers namely: Pendlebury’s; Coastlands; and Goldcoast Trading.   | <b>B47 2</b> |
| 13.025 | Paragraph 3 of this submission sets out the motivation for the reasons to deviate from normal bidding procedures namely:<br><br><i>“Due to the short period between now and the indicated dates on which the accommodation is required as well as the fact that the accommodation must not be known to the public, it becomes impossible to advertise a bid in this regard.”</i>   | <b>B47 2</b> |

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13.026 I am unable to determine how the impact of advertising this tender would have alerted the public to where the police would be accommodated during the SWC. It is my view that by placing an advert in the Government Tender Bulletin it would have only invited interested suppliers to submit their proposals to the SAPS SCM which information would subsequently not have been accessible to the public. Hence, I am of the view that the motivation that accommodation must not be known to the public is not a valid reason to deviate from normal bidding procedures especially with regards to the advertising the tender in the Government Tender Bulletin as required in Chapter 5 of the SCM manual<sup>1</sup>.

13.027 The recommendation in this submission stated that *"it is recommended that approval be granted to accept the quotations from the abovementioned service providers for the provision of accommodation and meals for the SAPS members who will be deployed for the Soccer World Cup 2010, in KwaZulu Natal, in terms of paragraph 16A.6.4 of the Treasury Regulations issued in terms of the PFMA dated March 2005 (attached as Annexure "B")."*

B47|2

13.028 Treasury Regulation 16A.6.2 is included with the tender documents provided to me for analysis and is discussed in subsequent paragraphs to my report<sup>2</sup> and therefore, the detailed content thereof shall not be repeated. However, I will confirm from the attached regulation (**marked 000025|7**) that Treasury Regulation 16A.6.4 states the following:

B49

*"The power to procure goods, works or services making use of the list of prospective suppliers, if such list is available, in cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical."*

13.029 The aforementioned regulation also provides that the lowest delegated post who has powers to procure in this regard is the Bid Adjudication Committee.

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<sup>1</sup> Refer to paragraphs 11.039 to 11.044.

<sup>2</sup> Refer to paragraphs 11.045 to 11.047.

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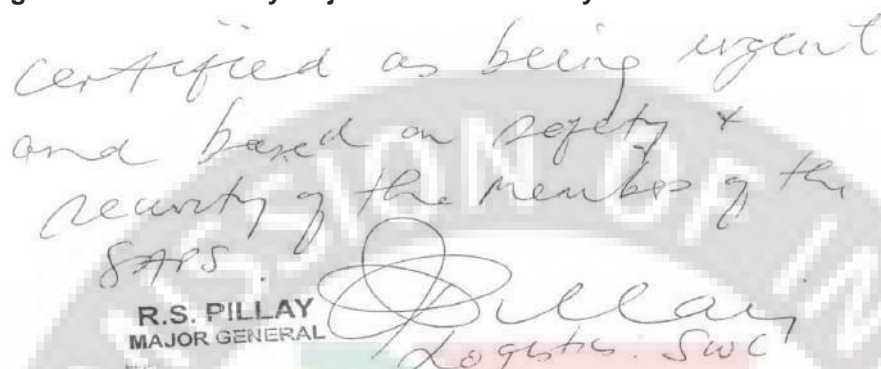
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- 13.030 The Submission in question has been certified by Major General RS Pillay as *“being urgent and based on safety and security of the members of the SAPS.”* An extract of this certification is detailed hereunder:

B47|2

Figure 1 - Certificate by Major General R S Pillay



certified as being urgent  
and based on safety &  
security of the members of the  
SAPS.

R.S. PILLAY  
MAJOR GENERAL

Logistics SWC

- 13.031 Paragraph 4 of the general conditions for urgent and emergency cases indicates that “the reasons for the urgency or emergency and losses or consequences that will follow if action is not taken, must be certified by a functionary holding at least the rank of Director and placed on file for audit purposes.”

B49

A1|218

- 13.032 The police rank structure has subsequently changed from the date that the abovementioned document was prepared and therefore, should now read *“must be certified by a functional holding at least the rank of Brigadier”*. Major General RS Pillay is above the rank of Brigadier (refer to Figure 2 below) and therefore, was delegated the authority in terms of Part 5 of the SCM Manual and Treasury regulations with the authority to certify that an urgency existed.

A1|218

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- 13.033 A summary of the police rank structure, both past and present, is detailed hereunder:

Figure 2 Senior Management SAPS

NEW RANK STRUCTURE South African Police Service			
Senior Management - Commissioned Officers			
CURRENT RANK		NEW RANK	FORM OF ADDRESS
National Commissioner		General (Gen)	General
Deputy National Commissioner		Lieutenant General (Lt Gen)	General
Divisional/ Provincial Commissioner		Lieutenant General (Lt Gen)	General
Assistant Commissioner		Major General (Maj Gen)	General
Director		Brigadier (Brig)	Brigadier

Figure 3 -Commissioned Officers SAPS

Commissioned Officers			
Senior Superintendent		Colonel (Col)	Colonel
Superintendent		Lieutenant Colonel (Lt Col)	Colonel
		Major (Maj)	Major
Captain		Captain (Capt)	Captain
		Lieutenant (Lt)	Lieutenant



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- 13.034 Paragraph 4 of the general conditions for urgent and emergency cases also states that *“a lack of proper planning is, however, not regarded as an urgent case. It must therefore also be certified that the urgency is not as a result of a lack of proper planning.”* With reference to the certificate of Major General RS Pillay (Refer to Figure 1 on page 109), I can confirm that he has failed to verify that this urgency was not as a result of a lack of proper planning. **A1|218**
- 13.035 I can also conclude, based on the examination of the Section 4 Committee meeting minutes, that the police were discussing the accommodation of police members during the SWC as early as 9 March 2009<sup>1</sup> whilst it is also evident, from the communication between the SAPS and Goldcoast Trading, that they were in discussions concerning accommodation for the SWC from as early as 16 October 2009 (**Document No. 18440**). **B37**
- 13.036 In addition, various correspondence that has already been discussed in preceding paragraphs of my report<sup>2</sup> confirms that the SAPS were already in discussions with service providers as early as 6 October 2009 (**Document No. 18439**) some of whom had provided written price quotations (**Document No. 18437 to 18458**) although all of them, except Goldcoast Trading, were either fully booked or no responses were received. These price quotations are discussed in preceding paragraphs<sup>3</sup> of my report and I shall not repeat the content thereof other than to state that, since the police had commenced this process as early as October 2009, their delay in complying with Treasury Regulations can only be attributed to their lack of proper planning since there was sufficient time to comply with these Treasury Regulations. **B36 B35 – B45**

<sup>1</sup> Refer to paragraphs 12.004 to 12.083.<sup>2</sup> Refer to paragraphs 13.001 to 13.011.<sup>3</sup> Refer to paragraphs 13.007 to 13.011.

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13.037 I would also like to refer to my previous discussions in this report where documents in the Section 4 Committee meetings have made reference to Major General Pillay. These documents, being either the correspondence from the KZN Provincial Commissioner's office or the Section 4 Committee minutes, indicate that Major General Pillay was responsible for arranging accommodation. The discussions surrounding the aforementioned documents have already been discussed in preceding paragraphs of my report and therefore, I shall not repeat the content thereof other than to identify the documents in question and raise the issue between these documents and the certificate made by Major General RS Pillay as regards to the urgency of the matter in terms of the delegations of authority in the SCM manual.

13.038 The three instances where I have referred to General Pillay are detailed hereunder:

1. In paragraph 12.074 of my report, I have referred to the minutes of the Section 4 Committee meeting held on 10 May 2010 where Madhoe has indicated to the Section 4 Committee members that Major General Pillay had informed him that he was sorting out the issue of accommodation.
2. In paragraph 12.085 and 12.088 of my report, I have referred to a letter from the KZN Provincial Commissioner's office dated 20 April 2010 that was addressed to the National Joints in Pretoria and marked for the attention of Major General Pillay (**Document No. 42421**) which letter contained the details of the physical resources necessary for the SWC.

13.039 Based on these two documents, it would appear that Major General RS Pillay may have been involved with the procurement of suppliers from as early as 10 April 2010, if not earlier. As a result, it appears that the urgency arose as a result of improper planning by the SAPS.

B22|1

B28|1

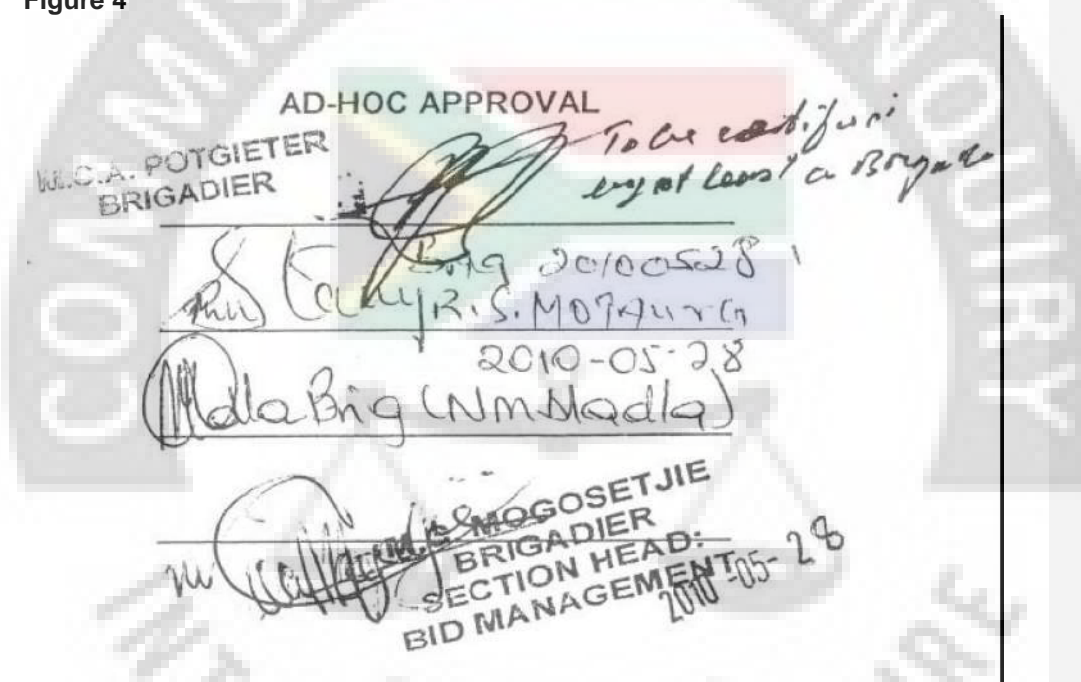
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**(iv) Information Note to National Commissioner (000025/1-2)****B46**

- 13.040 The Information Note to the National Commissioner with reference 11/1/3(09/10) (**marked 000025/1-2**) indicates that the National Commissioner approved the submission made in terms of paragraph 2.4<sup>1</sup> of the National Treasury Circular on Code of Conduct for Bid Adjudication Committee which was also approved by Brigadier Potgieter, Brigadier Motaung, Brigadier Dladla and Brigadier Mogosetjie. An extract of their approval on this document is reflected in Figure 4 below:

**B46****Figure 4****B46**

- 13.041 Based on the signatures appended in Figure 4 above, it would appear that the SAPS held a Bid Adjudication Committee meeting where they ratified the recommendations made to them by the bid committee of the SAPS KZN Provincial SCM.

<sup>1</sup> Paragraph 2.4 of the circular on the code of conduct reads as follows:

- 2.4 The Bid Adjudication Committee must consider the recommendations/reports of the Bid Evaluation Committee and depending on the delegated powers make:
- A final award; or
  - A recommendation to the accounting officer / authority to make a final award; or
  - Make another recommendation to the accounting officer / authority on how to proceed with the relevant procurement.

**Non Compliance Urgent and Emergency Delegations or SCM Manual**

13.042 I have already discussed the general conditions for urgent and emergency cases in my report<sup>1</sup> above and shall not repeat it again other than to confirm that:

1. Major General RS Pillay did not certify that the urgency was not as a result of lack of proper planning which certification was a requirement in terms of paragraph 4 of the General conditions of urgent and emergency delegations whilst there are reasonable grounds to conclude that the urgency arose because of a lack of proper planning by the SAPS since there were negotiations with suppliers as early as October 2009.
2. The principle of competition must be adhered to as far as possible.
3. The tender or bid for accommodation for KZN was not advertised as required in terms of chapter 5 of the SCM manual<sup>2</sup> in the Government Tender Bulletin allegedly because the accommodation of police personnel must not be known to the public in order to protect their safety. The justification for failing to advertise on these grounds cannot be considered to be reasonable in view that the advertisement would not identify the venues at which the police would be accommodated but would, instead, only invite interested suppliers to submit to the police their bid documents, prices and number of personnel available to accommodate which bids would have been confidential and not subject to public scrutiny. Therefore, it is my view that had the tender been advertised in the Government Tender Bulletin it would not have affected the safety of police personnel.

**B47|2**

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<sup>1</sup> Refer to paragraphs 11.046 to 11.047.

<sup>2</sup> Refer to paragraphs 11.039 to 11.044.

**Affidavit Roshini Naidu – Coastlands Hotels and Resorts****B32**

13.043 Included in the documents I have received is an affidavit of Roshini Naidu, an Executive Director at Coastlands, who deposed the following that is relevant to my report:

1. Coastlands were registered on the SAPS Supplier Database in 1994 and were allocated supplier number DJJGG;
2. She confirmed that she knew Madhoe and Narainpershad of the SAPS SCM Provincial Head Office;
3. During April and May 2010 she received three tender documents from Narainpershad for the accommodation of members during the SWC but was unable to provide copies of the documents supporting this statement<sup>1</sup>;
4. She alleged that she submitted three tender documents to the SAPS and that each request was made by Narainpershad who subsequently told her, on each occasion, to ignore the previous tender. Each one of these occasions the number of members decreased;
5. Coastlands were eventually awarded two orders with numbers AD342097 and AD342098. (I have also verified that these two orders were issued to Coastlands in the amount of R696,000 and R1,900,000 respectively), but these orders were allegedly for less members and a shorter period of time than she had tendered.
6. Upon the discovery of the aforementioned information, Roshini Naidu called Narainpershad and advised him that Coastlands had not advertised for clients during the SWC as they had received three tender requests from him which were for higher numbers and a longer period.

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<sup>1</sup> I have examined the available documents provided and cannot find any evidence to corroborate this statement.

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7. She alleged further that Narainpershad had indicated that he was dividing the accommodation for the members between three hotels. (I have determined from the tender documents that were approved by Major General RS Pillay that three entities had been identified namely Pendleburys, Coastlands and Goldcoast Trading<sup>1</sup> (000025|3-4). However, the numbers allocated to each of these institutions does not confirm that the members were divided amongst the three suppliers. In fact, Goldcoast Trading were allocated the bulk thereof – 1030 members (80%) (000025|8-9), Coastlands 200 (16%) and Pendleburys 50 (4%).
8. Narainpershad was also informed by her that Coastlands had given the SAPS a good rate of R400 per person sharing and the room rate of R800 for two members; however Narainpershad “kept to his story” saying that he had divided the members between three hotels.
9. Subsequent to receiving the above mentioned two orders from the SAPS, she received a call from Panday (prior to this telephone call she had never had any dealings with Panday and did not know him, yet the initial application dated 8 October 2009 (**Document No. 18435/6**) reflects that Goldcoast Trading had secured accommodation at Coastlands<sup>2</sup>.)
10. Panday allegedly informed her that he was an agent for the SAPS National Head Office and got the contract to accommodate SAPS members for the SWC. The two of them negotiated a rate being the same rate that was charged for local members whilst Panday alleged that he would be paid by the National Office and not the local provincial office.
11. Subsequent to the aforementioned discussions with one another, she received another call from Panday who wanted to negotiate a better rate as he needed to make a small commission for his efforts (As discussed in preceding paragraphs of this report, Goldcoast Trading quoted the SAPS R850 per person sharing whereas Coastlands quoted R400 per person

B47

B34

<sup>1</sup> Refer to paragraphs 13.022 to 13.039.

Refer to paragraphs 13.001 to 13.003

<sup>2</sup> Refer to paragraphs 13.001 to 13.003.

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sharing.) Hence, he was already making a profit of 112.5% before the negotiation for further discounts with Roshini Naidu was discussed.)

12. A new rate was agreed between the two parties namely R350 per person sharing and a room rate of R700 for two persons excluding meals. It was at this time that Panday informed her the name of his company namely Goldcoast Trading.

13. The aggregate bookings made by Panday in respect of Goldcoast Trading for the deployment of police members is detailed hereunder:

H11|8<sup>1</sup>

No Members	No Rooms	Arrival Date	Departure Date	Annexure No	Invoice No	Invoice Amount ( R )
55	29	18-Jun-10	19-Jun-10	RN1	33614/1538	20,300.00
158	79	19-Jun-10	01-Jul-10	RN2	33710/1566	288,750.00
140	70	19-Jun-10	13-Jul-10	RN3	33711/1567	929,750.00
90	45	21-Jun-10	09-Jul-10	RN4	33714/1569	642,070.00
<b>Total</b>						<b>1,880,870.00</b>

B32|7-15

B32|16-46

B32|47-124

B32|125-181

14. The initial arrangement between Coastlands and Goldcoast Trading was that the latter would make payments on a weekly basis, however this arrangement was not adhered to. Instead the following payments were advanced to Coastlands by Goldcoast Trading:

Payment No	Date	Annexure No	Amount ( R )
1	22/06/2010	RN5 1	131,600.00
2	24/06/2010	RN5 2	612,500.00
3	06/07/2010	RN5 3	350,000.00 <sup>2</sup>
4	07/07/2010	RN5 4	262,500.00
5	13/07/2010	RN5 5	300,000.00
6	20/07/2010	RN5 6	100,000.00
7	30/07/2010	RN5 7	100,000.00
<b>Total</b>			<b>1,856,600.00</b>

B33|182

B33|183

B33|184

B33|185

B33|186

B33|187

B33|188

<sup>1</sup> This annexure contains my analysis of the Coastland's invoices provided to Goldcoast Trading relating to the accommodation of police members at Coastlands from the period 18 June 2010 to 12 July 2010, although the quantity of members accommodated over this period, per night, varied from 8 to 158 members a night. However, the aggregate number of members (i.e. total beds) over this period was 5,460 which Goldcoast Trading would have invoiced to the police at 5,460 x R850 = R4,641,000. Hence, the police would have paid R2,760,130 more for this service than they should have.

<sup>2</sup> R250,000 of this deposit was in cash.

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15. Roshini Naidu alleges in her affidavit that Goldcoast Trading still owed Coastlands R306,200<sup>1</sup> at the time of making her affidavit, being 29 July 2011.

B32a

**Addendum Affidavit of Roshini Naidu**

B33

- 13.044 In an addendum affidavit, Ms Roshini Naidu has, *inter alia*, commented on the SAPS application to the National Commissioner dated 8 October 2009 (**Document No. 18435|6**) with regards to the statements made in respect of Coastlands, which comments are detailed hereunder:

B34

1. “Coastlands – No response” to written request for price quotations for 530 members – She disputes ever receiving such a request and therefore, alleged that this statement in this application is false;
2. She disputes that Goldcoast Trading had secured accommodation at Coastlands as alleged in paragraph four of this application. She also alleged that the first time that she came to know of Panday and or Goldcoast Trading was sometime in May 2010 when he approached Coastlands for assistance during the SWC and where she accommodated between 8 and 158 members of the police, per day, for Goldcoast Trading.
3. On or about 8 October 2009 Coastlands had ample accommodation for the period mentioned in the request for quotation and therefore, it would have been “ludicrous” not to respond to such a request.

B33|11

B33|9-10

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<sup>1</sup> R20,300+R149,100+R136,800



***Summary of Findings***

- 13.045 Based on the content of Roshini Naidu's affidavit, I can conclude that Narainpershad was aware that Coastlands had ample accommodation at a rate far cheaper than Goldcoast but elected to allocate 1030 members, 80% of the police personnel, to Goldcoast Trading at a rate of R850 per person sharing per night instead of selecting Coastlands at a rate of R400 per person sharing per night. Coastlands were only allocated 204 persons (16%).
- 13.046 Narainpershad was aware of these price differences and in spite of being questioned by Roshini Naidu he alleged that he had divided the accommodation between three suppliers. Clearly, from the review of payments and tender documents, this never happened. In fact, there is nowhere in the documents available to me that demonstrates how the number of members was allocated amongst the three suppliers.
- 13.047 Even after the *tender* was awarded to the suppliers, Goldcoast Trading negotiated with Coastlands to accommodate police members on their behalf that resulted in them accommodating between 8 and 158 members a night over a period of 27 nights at an aggregate cost of R1,880,870 to Goldcoast Trading. This aggregates to 5,460 members over the aforementioned period and means that Goldcoast Trading would have invoiced the SAPS for these 5,460 members an amount of R4,641,000. This means that the police have paid R2,760,130 more for the accommodation of these members than they should have. This also indicates that Goldcoast Trading's profit margins were not 20% as indicated in previous discussed correspondence with the SAPS<sup>1</sup>.
- 13.048 Coastlands had block booked rooms for the SAPS for the SWC based on previous discussions and tenders submitted to the police whilst they were also registered as a supplier on the SAPS database with effect from 1994. Despite block booking significantly more rooms than what were initially allocated to them, their initial price quotations (or tenders) was never accepted and their quantities were consistently reduced even though

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<sup>1</sup> Refer to paragraph 12.053 to 12.060. (Document No.'s 21021 (B24) and 18412|3 (B25))



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Goldcoast Trading quantity of members increased.

- 13.049 This means that Narainpershad was aware of Coastland prices and that they were significantly cheaper than Goldcoast Trading yet failed to take reasonable steps to ensure that the best interest of the police would be taken into account when considering this tender, in addition to the fact that Coastlands were a supplier to the SAPS since 1994.
- 13.050 The only reasonable conclusion that can be made from the above observations is that the tender to award a significant portion of accommodation of police members to Goldcoast Trading instead of Coastlands was done to favour Goldcoast Trading to the prejudice of the SAPS and other service providers. This becomes even more evident when one considers that Goldcoast Trading accommodated between 8 and 158 of their allocated 1030 members at Coastlands a night and the fact that Panday has paid to Narainpershad and Madhoe R52,406.71 and R78,304.95 respectively, in respect of gifts and services prior to the award of the tender<sup>1</sup>.
- 13.051 Roshini Naidu disputes that Coastlands were ever requested to provide a quotation for accommodating members during the SWC around about 8 October 2009 when the first application was submitted.
- 13.052 The statement that Coastlands did not respond to such a request is false. Coastlands had ample space available to accommodate 530 members and therefore, it would have been “*ludicrous*” from a business perspective to ignore a request from the police to quote.
- 13.053 The application also indicates that Goldcoast Trading had secured accommodation at Coastlands but Roshini Naidu disputes this as the first time that she met Panday to discuss Goldcoast Trading accommodating police members at Coastlands was during the month of May 2010. Hence, such a statement is false.

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<sup>1</sup> Refer to paragraphs 15.000 to 15.119.

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- 13.054 It is also surprising that Panday is negotiating with Coastlands for the accommodation of police members in May 2010 when the submission to the Bid Adjudication Committee is dated 4 June 2010 and the order to Goldcoast Trading (Order No. 333657) in the amount of R26,320,250 is dated 10 June 2010.
- 13.055 This could only mean that Panday was aware, before the aforementioned order was provided to him, that Goldcoast Trading would be successful with the tender, and this was before it was submitted to the Bid Adjudication Committee.
- 13.056 A detailed discussion of my analysis of payments made to Goldcoast Trading for the SWC and their supplier invoices is contained in paragraphs 20.231 to 20.292 of my report.



**14.000 PROCUREMENT DOCUMENTS****Background**

- 14.001 I have already discussed in previous paragraphs of my report the requirements as set out in the SCM manual when requesting price quotations and shall not repeat the detailed content thereof again other than to mention that any order for goods or services greater than R10,000 but less than R200,000 can be made subject to the obtaining of written competitive price quotations<sup>1</sup>.
- 14.002 This policy also provides for obtaining goods or services on a single quotation provided that the prices are proved and certified to be fair and reasonable<sup>2</sup>. Hence, the SCM policy allows for the procurement of goods or services on a single quotation.

**Evidence of Quotations**

- 14.003 The SAPS have been requested to provide copies of all documents relating to the procurement of goods and services from the five (5) suppliers included in this investigation however, I have been informed that these documents are not available or cannot be located.
- 14.004 As a result, all orders placed with the suppliers included in this investigation do not have any evidence of the mandatory procurement procedures being followed, if any, other than those discussed in this report.

**Letter from KZN Provincial Commissioners Office dated 29 June 2010**

- 14.005 I have also been provided with a letter from the Office of the Provincial Commissioner SCM's (Major General K V Mekute) which letter was addressed to: The Provincial Head Financial Services; The KZN Deputy Provincial Commissioner; and the KZN Provincial Commissioner regarding "Access to Information; Advertised Bids/Invitation of Price Quotations" dated

**A2****A2**

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<sup>1</sup> Refer to paragraphs 11.015 to 11.020.

<sup>2</sup> Paragraph 11.016 (a) to (d) of my report explains how proof of reasonableness must be obtained.

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29 June 2010.

14.006 I shall not repeat the detailed content of this letter other than to refer to paragraph 5 and 6 thereof which reads as follows:

*“5. All documentation for any transaction which comprises of users requirements, supplier profiles, quotations, rough notes, etc are retained at Acquisition Section for audit purposes. (my emphasis)*

A2|1

*6. Should your office require any documentation in future, please reduce it in writing as required by the relevant SCM Guidelines, and this office will endeavour to provide same to yourself.”*

A2|1

14.007 Based on the content of this letter, it would be reasonable to conclude that, with effect from 29 June 2010, the Provincial Commissioner’s Office of SCM informed the Provincial Head of Financial Services that they would in future be excluded from making copies of any supporting quotations obtained for any services or goods ordered by the SAPS SCM and furthermore, any quotations would be retained at Acquisition Section for Audit purposes.

A2

14.008 At the time of issuing my report there is no evidence to validate that quotations have been obtained and if any, where they are being safeguarded for audit purposes as referred to by Major General K V Mekute in her letter dated 29 June 2010.

A2

14.009 Major General KV Mekute stated as follows in an affidavit regarding the letter dated 29 June 2010:

A2

*“During that period of June 2010 I was acting as Support Service Head for KZN Province. I was approached by Col. Naveen Madhoe the Saps Provincial Head of Acquisition for KZN SCM and he brought to my notice his administration concerns about customer related protection and his concern was the duplication of files at KZN Finance office of suppliers details. He requested that Finance be prevented from duplicating supplier’s details as this was a concern that it will affect customer relationship, profile and*

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information”.

The Letter dated 29 June 2010 “was drafted by Col Madhoe and the concerns regarding the protection of supplier’s information is explained and I endorsed the letter as the Support Service Head for the province and not as the legal Head.

During the interview with Col Govender he raised the concern that he was unable to gather evidential files from SCM during an authorised search as nobody was able to account for the files of suppliers and he was unable to gather same from Finance, due to files not being handed to Finance in terms of the instruction signed by me as per” the letter dated 29 June 2010.

“I brought to his attention that Finance was not cut off as if they required the files or copies thereof they had to request it from SCM as per paragraph six (6) of” the letter dated 29 June 2010. “I am unable to comment on the files not being at SCM during the search”.

#### Waltons Counter Book “Tasleem Rahiman Record Book”

14.010 Included amongst the exhibits provided to me for further analysis is a Waltons Counter Book marked as “*Tasleem Rahiman Record Book*” (**Document No’s 19026 to 19238**) which book was seized from the premises of Goldcoast Trading and filed in exhibit bag number 6798.

14.011 The aforementioned book contains, *inter alia*, a daily account of the duties and tasks performed by Tasleem Rahiman (who I understand is the secretary or personnel assistant to Panday) for the period 17 December 2009 (**Document No. 19102**) to 28 April 2010 (**Document No. 19235**). It is clear from the entries in this book that it was prepared by a person who is a personal assistant to Panday.

14.012 My examination of this record book indicated that Tasleem Rahiman was performing duties for Goldcoast Trading, Valotone 21CC, Bravosat 25CC and Unite Mzansi.

A3

A3

A3|76 - 209

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- 14.013 Examples of some entries where Tasleem Rahiman has eluded to each of the entities included in this investigation are detailed hereunder:

Document No.	Description of Record	
19107	<p><i>"8. Bravostat in charge as well Valotone. All quotes + invoices. Back up every day."</i></p> <p><b>Record 3</b></p> <p><i>8. Bravostat in charge as well Valotone. All quotes + Invoices Back up every day</i></p>	A3 81
19107	<p><i>"17. Made new invoices on new computer for Vatone and Bravostat"</i></p> <p><b>Record 4</b></p> <p><i>17. Made new invoices on new Computers for Vatone &amp; Bravostat</i></p>	A3 81



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Document No.	Description of Record	
19110	<p><i>Thoshan asked to redo quotes for the ffg:</i></p> <p>Video Cameras - x12  Digital Cameras - x10  Throw Phones - x2  GPS Units - x20  White boards - (Dry Wipe)x1  Flip Chart Boards - x2  Generators - x4  Gazebos  All must be done on 3 Companies Goldcoast  Bravosat and Valotone.</p> <p><b>Record 5</b></p> <p>★ Thoshan asked to redo quotes for the ffg:  Video Camera's - x12  Digital Cameras - x10  Throw phones - x2  GPS Units - x20  white boards - (Dry wipe)x1  flip chart boards - x2  Generators - x4  Gazebos  All must be done on 3 Companies Goldcoast  Bravosat and Valotone.</p>	A3 84
19111	<p><i>Diresheh Kay Makan – called he said the [sic] only have the 215 – R2,795. He said that he can get the 1410 its the replacement of the 310 and it has all the same features.</i></p> <p><i>= Informed Thoshan he said to do quote @R9,995</i></p> <p><i>= Done Quotes</i></p> <p><b>Record 6</b></p> <p>★ Diresheh Kay Makan - called he said the only have the 215 - R2795,00  He said he can get the 1410 its the replacement of the 310 and it has all the same features  = Informed Thoshan he said to do quote @9995  = Done quotes</p>	A3 85

PwC

References in the margin refer as follows:

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Document No.	Description of Record	
19116	<p>"7. To go with Thoshan and cash cheque for R2,100.00</p> <p>R700-00 Mzansi</p> <p>R700 Valotone</p> <p>R700 Bravosat</p> <p>Done"</p> <p><b>Record 7</b></p> <p>3. To go with Thoshan and cash cheque for R2100.00</p> <p>R700-00 Mzansi</p> <p>R700-00 Valotone</p> <p>R700-00 Bravosat</p> <p>Done</p> <p>019116</p>	A3 90
19118	<p>"3. Thoshan asked me to open files for the ffg companies:</p> <p>1. Goldcoast Trading</p> <p>2. Unite Mzansi</p> <p>3. Bravosat</p> <p>4. Valotone."</p> <p>Adjacent to this entry are the following:</p> <p>1. "CK doc</p> <p>2. Vat Certi</p> <p>3. Copy bank state</p> <p>4. Supplier No."</p> <p><b>Record 8</b></p> <p>3. Thoshan asked me to open files for the ffg Companies :</p> <p>1. Goldcoast Trading</p> <p>2. Unite Mzansi</p> <p>3. Bravosat</p> <p>4. Valotone</p> <p>1. CK doc</p> <p>2. Vat cert</p> <p>3. Copy bank state</p> <p>4. Supplier no.</p> <p>Amning</p>	A3 92

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Document No.	Description of Record																																										
19119	<p>"6. Then Thoshan requested a breakdown for 3 different companys as to who won the last invoice and what was the Unit prices."</p> <p>I have included an example of this entry in the record book hereunder for ease of reference instead of explaining the entries :</p> <p><b>Record 9</b></p> <p>6. Then thoshan requested a breakdown for the 3 different companys as to who won the last invoice and what was the Unit prices .</p> <table border="1"> <thead> <tr> <th>GOLD COAST CC</th><th>Won</th><th>Price Per Unit</th></tr> </thead> <tbody> <tr> <td>NOTHING</td><td></td><td></td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Valotone 21 cc</th><th>Won</th><th>Price Per Unit</th></tr> </thead> <tbody> <tr> <td>1. Knee &amp; Elbow pads</td><td>R 41,700-00</td><td>R 695,00</td></tr> <tr> <td>2. Battle Jackets</td><td>R 147,000-00</td><td>R 2450,00</td></tr> <tr> <td>3. Tactical gloves</td><td>R 29,700-00</td><td>R 495,00</td></tr> </tbody> </table> <p><b>Record 10</b></p> <p>019120</p> <table border="1"> <thead> <tr> <th>Bravosad 25 cc</th><th>Won</th><th>Price Per Unit</th></tr> </thead> <tbody> <tr> <td>1. Slings</td><td>R 51,000-00 (60)</td><td>R 850-00</td></tr> <tr> <td>2. Jumpsuits</td><td>R 144,000-00 (60)</td><td>R 2400-00</td></tr> <tr> <td>3. Helmets</td><td>R 99,900-00 (60)</td><td>R 3330-00</td></tr> <tr> <td>4. Equipment bags</td><td>R 117,000-00 (60)</td><td>R 1950-00</td></tr> <tr> <td>5. Ess goggles</td><td>R 64,200-00 (60)</td><td>R 1070-00</td></tr> <tr> <td>6. Double Duty belt</td><td>R 93,000-00 (60)</td><td>R 1550-00</td></tr> <tr> <td>7. Barais</td><td>R 56,250-00 (60)</td><td>R 250-00</td></tr> </tbody> </table>	GOLD COAST CC	Won	Price Per Unit	NOTHING			Valotone 21 cc	Won	Price Per Unit	1. Knee & Elbow pads	R 41,700-00	R 695,00	2. Battle Jackets	R 147,000-00	R 2450,00	3. Tactical gloves	R 29,700-00	R 495,00	Bravosad 25 cc	Won	Price Per Unit	1. Slings	R 51,000-00 (60)	R 850-00	2. Jumpsuits	R 144,000-00 (60)	R 2400-00	3. Helmets	R 99,900-00 (60)	R 3330-00	4. Equipment bags	R 117,000-00 (60)	R 1950-00	5. Ess goggles	R 64,200-00 (60)	R 1070-00	6. Double Duty belt	R 93,000-00 (60)	R 1550-00	7. Barais	R 56,250-00 (60)	R 250-00
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A3|93

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Document No.	Description of Record	
19120	<p>"11. Thoshan called to redo quotes for ffg: Garmin GPS 1410 x 10 units each. Should have 2 sets of quotes one bravosat wins and the other Valotone"</p> <p><b>Record 11</b></p> <p>11. Thoshan called to redo quotes for the ffg: Garmin GPS 1410 x 10 units each. Should have 2 sets of quotes one bravosat wins and the other Valotone. ✓</p>	A3 94
19120	<p>"12. Video Cameras do 6 each qty do the quotes the same 2, sets – one time Valotone wins and one time Bravosat."</p> <p><b>Record 12</b></p> <p>12. Video Cameras do 6 each qty do the quotes same 2, sets – one time Valotone wins and one time Bravosat. = Done ✓</p> <p>"13. Digital Cameras – 5 each qty Do the quotes the same. 2 sets one time Valotone one time Bravosat wins – Goldcoast nothing = done all quote"</p> <p><b>Record 13</b></p> <p>13. Digital Cameras – 5 each qty Do the quotes same 2 sets one time Valotone one time Bravosat wins – Goldcoast nothing = Done all quote. ✓</p>	A3 94  A3 94

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Document No.	Description of Record	
19123	<p><i>* To do quotes for the generators</i></p> <ol style="list-style-type: none"> <li><i>Each so we should have 12 quotes</i></li> <li><i>Valotone must win and 2 Bravosat</i></li> </ol> <p><i>= Done all quotes left on Thoshan Desk</i></p> <p><b>Record 14</b></p> <p><i>* To do quotes for the generators</i>  <i>1 each so we should have 12 quotes</i>  <i>2 Valotone must win and 2 Bravosat</i>  <i>= done all quotes left on thoshan desk.</i></p>	A3 97
19126	<p><i>"Deliver bags – Submitted all invoices</i></p> <p>⇒ <i>Bravosat</i></p> <p>⇒ <i>Valotone"</i></p> <p><b>Record 15</b></p> <p><i>* Deliver bags. – Submitte all Invoices</i>  <i>→ Bravosat</i>  <i>→ Valotone</i></p>	A3 100
19127	<p><i>"1. When we receive the 45 bags, submit all outstanding invoices for Bravosat and Valotone"</i></p> <p><b>Record 16</b></p> <p><i>26/01/2010</i> <span style="float: right;"><i>019127</i></span>  <i>Tuesday.</i></p> <p><i>1. When we receive the 45 bags, Submitte all outstanding invoices for Bravosat + Valotone.</i></p>	A3 101

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Document No.	Description of Record	
19129	<p><i>"*Went to SAPS to deliver the 45 bags also dropped of the correct invoices for the digital + video camera's with Ashwin he said they will sort out"</i></p> <p><b>Record 17</b></p> <p><i>*Went to S.A.P.S to deliver the 45 bags also dropped of the correct Invoices for the digital + video Camerads with Ashwin he said they will sort out</i></p>	A3 103
19140	<p><i>"12. Valotone / Bravosat = Complete given to Thoshan a copy"</i></p> <p><b>Record 18</b></p> <p><i>12 Valotone / Bravosat = Complete given to Thoshan a Copy.</i></p>	A3 114
19143	<p><i>"= Informed Thoshan he said to do a quote on Bravosat letterhead the same what Roleen sent but change price to R135,000 = done and sent to Captain Ashwin via email as well as fax"</i></p> <p><b>Record 19</b></p> <p><i>= Informed Thoshan he said to do a quote on Bravosat Letterhead the same what Roleen sent but change price to R135.000. = Done and sent to Capt Ashwin via email as well as fax</i></p>	A3 117

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Document No.	Description of Record																																	
19146	<p>“(fridge) – Thoshan said get the small items and we will work together</p> <p>WINS NOTHING</p> <p>GOLDCOAST</p> <p>BRAVOSAT</p> <p>VALOTONE”</p> <p><b>Record 20</b></p> <p>Notes for fridge: (fridge) - Thoshan said get the small items and we will work together. GOLDCOAST WINS NOTHING BRAVOSAT VALOTONE</p> <p>019146</p>	A3 120																																
19148	<p>The book contains a summary of invoices issued by Bravosat 25 CC and Valotone 21 CC copies of which are detailed hereunder:</p> <p><b>Record 21</b></p> <p>Bravosat</p> <table><thead><tr><th>DESCRIPTION</th><th>QTY</th><th>INVOICE No</th><th>AMOUNT</th></tr></thead><tbody><tr><td>1. Double Duty belts</td><td>60</td><td>1001</td><td>R93,000</td></tr><tr><td>2. D-Shell holster in polyform</td><td>60</td><td>1002</td><td>R46,500</td></tr><tr><td>3. Hand gun retention blade</td><td>60</td><td>1003</td><td>R27,000</td></tr><tr><td>4. Jumpsuits</td><td>60</td><td>1004</td><td>R144,000</td></tr><tr><td>5. Level in A ballistic Helmets</td><td>30</td><td>1005</td><td>R99,900</td></tr><tr><td>6. Bararise</td><td>225</td><td>1006</td><td>R56,250</td></tr><tr><td></td><td></td><td>TOTAL =</td><td>R466,650</td></tr></tbody></table> <p>019148</p>	DESCRIPTION	QTY	INVOICE No	AMOUNT	1. Double Duty belts	60	1001	R93,000	2. D-Shell holster in polyform	60	1002	R46,500	3. Hand gun retention blade	60	1003	R27,000	4. Jumpsuits	60	1004	R144,000	5. Level in A ballistic Helmets	30	1005	R99,900	6. Bararise	225	1006	R56,250			TOTAL =	R466,650	A3 122
DESCRIPTION	QTY	INVOICE No	AMOUNT																															
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Document No.	Description of Record																																									
19148	<p><b>Record 22</b></p> <p>VALTONE 21cc</p> <table><thead><tr><th>DESCRIPTION</th><th>QTY</th><th>INV No:</th><th>Amount</th></tr></thead><tbody><tr><td>1. UTILITY LEG PIG Fitted with Pouch</td><td>60</td><td>100</td><td>R59,700</td></tr><tr><td>2. Elbow &amp; Knee Pads</td><td>60</td><td>101</td><td>R41,700</td></tr><tr><td>3. Ess Goggles</td><td>60</td><td>102</td><td>R59,700</td></tr><tr><td>4. Tactical gloves</td><td>60</td><td>103</td><td>R29,700</td></tr><tr><td>5. Battle Jackets</td><td>60</td><td>104</td><td>R147,000</td></tr><tr><td>6. Equipment bag</td><td>60</td><td>105</td><td>R17,000</td></tr><tr><td>7. Jumpsuits to be Altered &amp; Fitted</td><td>60</td><td>106</td><td>R20,000</td></tr><tr><td>8. Level iii A ballistic Helmets</td><td>30</td><td>107</td><td>R99,900</td></tr><tr><td colspan="3">TOTAL =</td><td>R674,700</td></tr></tbody></table>	DESCRIPTION	QTY	INV No:	Amount	1. UTILITY LEG PIG Fitted with Pouch	60	100	R59,700	2. Elbow & Knee Pads	60	101	R41,700	3. Ess Goggles	60	102	R59,700	4. Tactical gloves	60	103	R29,700	5. Battle Jackets	60	104	R147,000	6. Equipment bag	60	105	R17,000	7. Jumpsuits to be Altered & Fitted	60	106	R20,000	8. Level iii A ballistic Helmets	30	107	R99,900	TOTAL =			R674,700	A3 122
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6. Equipment bag	60	105	R17,000																																							
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8. Level iii A ballistic Helmets	30	107	R99,900																																							
TOTAL =			R674,700																																							
19149	<p><i>"9 Done all quotes for tactical wear and invoices"</i></p> <p><b>Record 23</b></p> <p>Done all quotes for Tactical wear and Invoice</p> <p>019149</p>	A3 123																																								
19151	<p><i>"5. Thoshan also wanted all the invoices for Goldcoast Trading, Bravosat and Valotone to be captured onto the pastel system....."</i></p> <p><i>(refer to extract for detailed record of this entry)</i></p> <p><b>Record 24</b></p> <p>Thoshan also wanted all the invoices for Goldcoast trading, Bravosat &amp; Valotone to be Captured onto the pastel System</p> <p>= Captured the invoices for October and only to realize that there was alot errors on the accomadition part everything that was entered with regards to the no of people, no of days and dates kept on Repeating on each line which did not make sense to me</p> <p>= Called yash he was in a meeting he said he will call back Called me back @ 10:35 informed him about the problem he will look into it and give me a call</p>	A3 125																																								

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References in the margin refer as follows:

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Document No.	Description of Record	
19151	<p>"I then tried to capture the invoices for Bravosat as well as Valotone and I needed a supplier invoice no: I made up no's...."</p> <p>(refer to extract for detailed record of this entry)</p> <p><b>Record 25</b></p> <p>⑥ I Then tried to capture the Invoices for Bravosat as well as Valotone and I needed a Supplier invoice no: I made up no's. but when capturing its not giving me a (4 barcode) its giving me a Glcode. = Tried calling yach there was no Ringtone on phone = tried about 3 times = I then called Thoshan to inform with regards to the matter</p>	A3 125
19160	<p>"3. Taken all files for Bravosat and valotone and Goldcoast to Shamilla"</p> <p><b>Record 26</b></p> <p>✶ Taken all files for Bravosat and Valotone and goldcoast to Shamilla.</p>	A3 134

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Document No.	Description of Record	
19165	<p><i>"5. Called Shamilla. Captain Ash is gone to the commissioners office but she can help me with the invoices that she requires:</i></p> <ol style="list-style-type: none"> <li><i>1. Flipchart - R2,000ea - R4,000 – Goldcoast + INV</i></li> <li><i>2. Generators: 10Kva Yamaha</i></li> </ol> <p><i>Bravosat – 1 x R92,500</i>  <i>- 1 x R91,000</i></p> <p><i>Valotone – 1 x R91,050</i>  <i>- 1 x R90,000</i></p> <p><i>Goldcoast – 1 x R93,250</i></p> <p><i>Resubmitted new invoices for the above:</i></p> <ol style="list-style-type: none"> <li><i>3. Digital Camera – Bravosat – Inv 1021 – R97,500</i></li> <li><i>4. Valotone – No invoice for GPS 1410 – (10 @ R100,000)</i></li> <li><i>5. Goldcoast Invoice No. 10067 – make it the generator</i></li> </ol> <p><i>Done all the above called Captain Ash he has received everything is fine = Shamilla is just captureing all the 2010 equipment once she's done she will do all the tactical wear.</i></p> <p><i>= Informed Thoshan as to what Captain Ashwin requires.</i></p>	A3 139

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Document No.	Description of Record	
19165	<p><b>Record 27</b></p> <p>1. Flipchart - R2000.00 - R4000 - Goldcoast Inv</p> <p>2. Generators: 10kva Yamaha  Bravoset - 1x R92.500  - 1x R91.000  Valotone - 1x R91.050  - 1x R90.000  Goldcoast - 1x R93.250  Resubmitted new Invoices for the above.</p> <p>3. Digital Camera - Bravoset - Inv 1021 - R97.500</p> <p>4. Valotone - No Invoice for GPS 1410 - (R200.000)</p> <p>5. Goldcoast Invoice No: 10067 - make it the Generator.</p> <p>Done all the above called Captain Ash he has recieved everything is fine = Shamilla is just capturing all the 2010 Equipment once she's done she will do all the tactical wear.</p> <p>= Informed Thoshan as to what captain Ashwin requires:</p>	A3 139
19167	<p>"2. Thoshan brought form to fill for Valotone and Bravoset for Shamilla.</p> <p>=filled form."</p> <p><b>Record 28</b></p> <p>18/02/2010  Thursday:  ✓ Sabastian - Siya sabon39  0836271357 - (Baroiso)  = Informed Thoshan</p> <p>019167</p> <p>✓ Thoshan Brought form to fill for Valotone and Bravoset for Shamilla.  = filled form.</p>	A3 141

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Document No.	Description of Record																									
19168	<p><i>"Thoshan wanted break down for Bravosat and Valotone.</i></p> <p><i>Done breakdown</i></p> <table> <tr> <td>Bravosat</td><td>-</td><td>R2,190,350</td></tr> <tr> <td>Valotone</td><td>-</td><td>R2,086,350</td></tr> <tr> <td>Gold</td><td>-</td><td>R97,250</td></tr> <tr> <td></td><td></td><td><u>R4,373,950</u></td></tr> </table> <p><i>Given."</i></p> <p><b>Record 29</b></p> <p><i>* Thoshan wanted break down for Bravosat and Valotone</i></p> <p><i>* Done Breakdown</i></p> <table> <tr> <td>Bravosat</td><td>-</td><td>R2190,350</td></tr> <tr> <td>Valotone</td><td>-</td><td>R2086350</td></tr> <tr> <td>Gold</td><td>-</td><td>R97250</td></tr> <tr> <td></td><td></td><td><u>R4,373,950</u></td></tr> </table> <p><i>given</i></p>	Bravosat	-	R2,190,350	Valotone	-	R2,086,350	Gold	-	R97,250			<u>R4,373,950</u>	Bravosat	-	R2190,350	Valotone	-	R2086350	Gold	-	R97250			<u>R4,373,950</u>	A3 142
Bravosat	-	R2,190,350																								
Valotone	-	R2,086,350																								
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Valotone	-	R2086350																								
Gold	-	R97250																								
		<u>R4,373,950</u>																								
19170	<p><i>"Shamilla called all invoices for Valotone – Tactical wear to pls make the date the 9/02/10 and send to her</i></p> <p><i>=changed dates and faxed captain ash received." (This was done on Friday 19 February 2010.)</i></p> <p><b>Record 30</b></p> <p><i>* Shamilla called all invoices for Valotone – Tactical wear to pls make the date the 9/02/10 and send to her</i></p> <p><i>● = Changed dates and faxed captain ash received</i></p>	A3 144																								
19173	<p><i>"4. Done letter for Snr Supt Madhoe"</i></p> <p><b>Record 31</b></p> <p><i>* Done letter for Snr Supt Madhoe</i></p>	A3 147																								

PwC

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Document No.	Description of Record	
19174	<p>"2. Sorting out invoices on pastel could not change the fonts and formats.</p> <p>=Tried calling Yesh he said that he is going to a meeting, he cannot make it today."</p> <p><b>Record 32</b></p> <p>Sorting out invoices on pastel could not change the fonts and formats            =Tried calling yesh he said that he's going into a meeting, he cannot make it today.</p>	A3 148
19181	<p>"Done all invoices for Bravosat and Valotone = faxed and emailed."</p> <p><b>Record 33</b></p> <p>Done all invoices for Bravosat and Valotone. = faxed and emailed.</p>	A3 155
19181	<p>"on Unite Mzansi</p> <p>= submitted to Ashwin"</p> <p><b>Record 34</b></p> <p>CAS - 2 weeks ago - 3 Day before print - R198.765.</p> <p>02 in - 3 before.            03 out - 1 day after.            on Unite Mzansi            =Submitted to Ashwin</p>	A3 155

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Document No.	Description of Record	
19182	<p><i>"Thoshan bought files for the ffg:</i></p> <ul style="list-style-type: none"> <li><i>*Goldcoast</i></li> <li><i>*Invoices that are paid</i></li> <li><i>*quotes</i></li> <li><i>*Pending Invoices:</i></li> <li><i>Valotone</i></li> <li><i>*Paid Invoices</i></li> <li><i>*Quotes</i></li> <li><i>*Pending Invoices</i></li> <li><i>Bravosat</i></li> <li><i>*Paid Invoices</i></li> <li><i>*Quotes</i></li> <li><i>*Pending Invoice</i></li> </ul> <p><i>Same for Unite Msansi and Kaseev Traders"</i></p> <p><b>Record 35</b></p> <p><i>* Thoshan bought files for the ffg:</i></p> <ul style="list-style-type: none"> <li><i>* Goldcoast</i></li> <li><i>* Invoices that are paid</i></li> <li><i>* Quotes</i></li> <li><i>* Pending Invoices:</i></li> <li><i>Valtone</i></li> <li><i>* Bid invoices</i></li> <li><i>* Quotes</i></li> <li><i>* Pending Invoices</i></li> <li><i>Bravosat</i></li> <li><i>* Bid invoices</i></li> <li><i>* Quotes</i></li> <li><i>* Pending invoice</i></li> </ul> <p><i>Same for Unite Msansi and Kaseev Traders.</i></p>	A3 156

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Document No.	Description of Record	
19182	<p>"Done quote and invoice for Unite Mzansi ffg items:</p> <ol style="list-style-type: none"> <li>1. 1000 x bottle water – R15 each</li> <li>2. 8 x paint brushes – R130 each</li> <li>3. 6 x paint scrapper – R60 each</li> <li>4. 40 x spray cannister – 20 gold, 20 silver @ R250 each</li> <li>5. 2 x 5L Bitumin @ R800 each."</li> </ol> <p><b>Record 36</b></p> <p><i>* Done quote and invoice for unite Mzansi ffg items:</i></p> <ol style="list-style-type: none"> <li>1. 1000 x Bottled water - R15 each</li> <li>2. 8 x Paint Brushes - R130 each</li> <li>3. 6 x Paint Scrapper - R60 each</li> <li>4. 40 x spray paint canister - 20 gold 20 silver @ R250 each</li> <li>5. 2 x 5L Bitumin @ R800 each</li> </ol>	A3 156
19186	<p>"3. Filed Unite Mzansi quote and invoice"</p> <p><b>Record 37</b></p> <p><i>3. Filed Unite Mzansi quote and invoice</i></p>	A3 160
19190	<p>"3. Valotone _ R108,353 – Seevesh Bravosat – R120,617.87 – Seevesh = R228,969.88"</p> <p><b>Record 38</b></p> <p><i>3. Val tone - R108 353 - Seevesh Bravosat - R120 617 87 Seevesh = R228 969 88</i></p>	A3 164
19191	<p>"4. Capturing Bravosat invoices on Pastel."</p> <p><b>Record 39</b></p> <p><i>4. Capturing Bravosat invoices on pastel.</i></p>	A3 165

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References in the margin refer as follows:

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Document No.	Description of Record	
19192	<p>"2. Printed Bravosat invoice. Shown to Thoshan he was happy"</p> <p>Record 40</p> <p>Printed Bravosat invoice Shown to Thoshan he was happy.</p>	A3 166
19193	<p>"8. Thoshan called he said that what are the amounts for Bravosat &amp; Valotone because its defferent from what Shamilla has.</p> <p>= called Shamilla she says we must understand only the invoices that are captured will show amounts.</p> <p>=informed Thoshan"</p> <p>Record 41</p> <p>8. Thoshan Called he said that what are the amounts for Bravosat &amp; Valtone because its Different from what shamilla has. =called shamilla she says we must understand only the invoices that are captured will show amounts. =Informed Thoshan.</p>	A3 167
19194	<p>"5. Thoshan wanted a list in all invoices loaded onto the system from inception with invoice no, amount and status. Done only to give to him. = given to him."</p> <p>Record 42</p> <p>Thoshan wanted a list on all invoices loaded onto the system from inception with Invoice no, Amount and Status <del>give to him</del> Done only to give to him =given to him.</p>	A3 168

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Document No.	Description of Record	
19200	<p>"Went with Thoshan to his house to do payments for today"</p> <p>1. Done payments."</p> <p><b>Record 43</b></p> <p>Went with Thoshan to his house to do payments for today 1. Done payments</p>	A3 174
19201	<p>"1. Came in started loading Pastel Invoices -&gt; that were not loaded also added new deploy for this week."</p> <p><b>Record 44</b></p> <p>Came in started loading Pastel Invoices -&gt; that were not loaded also added new deploy for this week.</p>	A3 175
19201	<p>"5. Done all outstanding quotes and invoices"</p> <p><b>Record 45</b></p> <p>5. Done all outstanding quotes and Invoices</p>	A3 175
19210	<p>"Came in sorted out Captain Ashwin booking with Karen @ Protea R/Bay. Informed Thoshan." (this entry is dated 31 March 2010)</p> <p><b>Record 46</b></p> <p>Came in sorted out Captain Ashwin booking with Karen @ Protea R/Bay Informed Thoshan</p>	A3 184
19215	<p>"Made copies of all invoices and given to Shamilla"</p> <p><b>Record 47</b></p> <p>Made copies of all invoices and given to Shamilla.</p>	A3 189

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Document No.	Description of Record	
19218	<p><i>"Sorted out pastel Bravosat Valotone – Whats not paid"</i></p> <p><b>Record 48</b></p> <p><i>* Sorted out pastel Bravosat Valotone . - What's not paid .</i></p>	A3 192
19220	<p><i>"Done backup of Bravosat and Valotone"</i></p> <p><b>Record 49</b></p> <p><i>* Done backup of Bravosat &amp; Valotone</i></p>	A3 194
19229	<p><i>"Given Thoshan all outstanding invoices for Shamilla"</i></p> <p><b>Record 50</b></p> <p><i>⑪ Given Thoshan all outstanding Invoices for Shamilla .</i></p>	A3 203

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Document No.	Description of Record	
19238	<p>This page contains the bank account details of Valotone 21 CC, Bravosat 25 CC and Goldcoast Trading but also contains the name of Unite Mzansi Trading. An extract of the entries that appear in this regard are detailed hereunder:</p> <p style="text-align: center;"><b>Record 51</b></p> <p><u>Derna - Telephone</u> - <u>Nashua</u></p> <p>Valotone 21 CC</p> <p>Banking details:</p> <p>ABSA BANK</p> <p>Cheque acc</p> <p>acc no: 40750 17 618</p> <p>B/code: 510829</p> <p>Umlhanga Ridge</p> <p>Business acc</p> <p>Bravosat: 25 CC</p> <p>ABSA</p> <p>B/code: 510829</p> <p>Acc no: 40750 17 197</p> <p>Cheque acc</p> <p>Business acc</p> <p>* Application</p> <p>Vat no: for</p> <p>3 Companies:</p> <p>Valotone</p> <p>Brav</p> <p>Unite Mzansi Trading &amp; Projects cc</p> <p>019238</p> <p>Aircon - Vishnu</p> <p>* Invoice</p> <p>Goldcoast</p> <p>Nedbank</p> <p>Dbn Central</p> <p>B/c - 187505</p> <p>acc no: 1442 016728</p> <p>Vat no:</p> <p>* 4690254655</p>	A3 212

- 14.014 I have also identified in the abovementioned book titled "Tasleem Rahiman Record Book" three pages of information relating to Kaseev Traders, Valotone 21 CC and Unite Mzansi Trading (**Documents 19090, 19091 and 19092** respectively) which information indicates that these three suppliers were competing against each other for the same items.

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- 14.015 The information contained in each of the abovementioned pages of this book was compared to the orders that were issued to each of these entities by the SAPS, the quantity of items requested and the unit price or aggregate selling price from which I have identified some examples where the information contained in the abovementioned records agrees with the orders that were issued to these entities.
- 14.016 An example of my findings from this analysis in respect of these entities are illustrated Record 52 and Record 53 below:





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Record 52

Kaseen Traders :		
1. Venter Trailers (X3) 1.5m	019090	
2. Notice Board 2.5 x 1.5 (X18)		AD341778 R3,813 each X18 Notice Boards = R68,639.40 (D11)
3. Sleeping bags (X40)		
4. 40" LCD TVs (X6)		
5. Canon EOS Digital Camera (X4)		
6. Binoculars (X4) 10x50		AD341740 R3,813 each x 4 Binoculars = R4,320 (D10)
7. Gas Bottles 4.5kg (X5)		
8. 42" LCD TVs (X1)		
9. Bottled water 500ml X 24 (X50) boxes		
K	M	U
1. R25.650 ea	1. R26.500 <sup>2</sup>	R28.000 <sup>3</sup>
2. <del>R111.000 ea</del> <sup>3813.80</sup>	2. R3800.00 <sup>3</sup>	R34500.2
3. R437.62	3. R485.50 <sup>5</sup>	R452.00 <sup>2</sup>
4. R29.999.00	4. R31.250.00 <sup>2</sup>	R32.500.00 <sup>3</sup>
5. R14.997.00	5. R5.750.00 <sup>3</sup>	R15.150.00 <sup>2</sup>
6. R1080.00	6. R1150.00 <sup>2</sup>	R1250.00 <sup>3</sup>
7. R1283.11 ea	7. R1525.25 <sup>3</sup>	R1385.29 <sup>2</sup>
8. R44.997	8. R47.000 <sup>3</sup>	R45.985.20 <sup>2</sup>
9. R9.74 per bott	9. R12.00 <sup>2</sup>	R14.20 <sup>3</sup>
25 Litre Jerry Cans	720	743
Plastic Chairs	195	177

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## Record 53

VALTONE		019091
1. Interactive Penrite Board 3x2m (1)		AD341784 – R2,139 each x 40 = R85,560 (E41)
2. Urn - 30LT (x6)		
3. Camp folding beds (40)		
4. Uprite fridges 120LT (x4)		AD341784 R4,200 x 4 = R16,800 (E38)
5. DVD Players (x3)		
6. Video Camera Sony Hdr cx100 (x2)		
7. Jacks 20ton (x2)		
8. Multimedia Projector & Screen (x2)		
9. Medical Kits (x6)		

V	U	K
1. R39.330.	R42.000 <sup>2</sup>	R45.550 <sup>3</sup>
2. R6099.00	R6325.00 <sup>2</sup>	R6200.00 <sup>2</sup>
3. R1283.00	R1345.00	R1550.00
4. R4200	R4800.00	R4450.00
5. R600.00	R685.00	R725.50
6. R14.697.00	R15.797.00	R17.000
7. R1598.34	R1750.50	R1885.90
8. R1559.10	R	
8. R15,597.00	R16.250	R17.000.00
9. R1692.90	R1785.85	R1895.98.

## Summary of Evidence in Tasleem's Counter Book

- 14.017 I have been able to identify from the handwritten entries appearing in the counter book titled "Tasleem Rahiman Record Book", as per Record 3 on page 125 to Record 51 on page 144, that there is evidence that Panday was actively involved and participated in the business activities of Goldcoast Trading, Bravosat 25 CC and Valotone 21 CC. In addition to these three entities, the handwritten notes that appear in this counter book also make reference to Unite Mzansi Trading and one instance of Kaseev Traders (Record 35 on page 139).

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- 14.018 It is further evident from the entries that appear in these records that there was collusion between Panday and or his related entities and the SAPS which collusion resulted in the police deviating from the required SCM procedures and which procedures favoured Panday and his related entities. An example of such behaviour is illustrated in Record 11 on page 129, Record 12 on page 129, Record 13 on page 129 and Record 14 on page 130.
- 14.019 In all of the aforementioned instances, there is evidence that Panday was manipulating quotations for his related entities to ensure that the awards by the SAPS are distributed between these entities. For example, in Record 11 on page 129 of this report, it is recorded that Panday has requested Tasleem to prepare two sets of quotations, one in which Bravosat 25CC would be the successful bidder and the other Valotone 21 CC. (I will further show in subsequent paragraphs of this report how this procedure was manipulated further by Panday and his related entities<sup>1</sup>.)
- 14.020 There is also evidence in these records that the SAPS SCM representatives were aware that Panday was related to these entities for example, in Record 27 on page 136 of this report, the writer has indicated that she called Captain Ash who was not available and therefore, spoke with Shamilla where they discussed a number of invoices relating to Bravosat 25 CC, Valotone 21 CC and Goldcoast Trading relating to the procurement of generators. The entry further indicates that new invoices were resubmitted to the SAPS SCM unit which were received by Captain Ash and who also indicated that he was satisfied with these documents.
- 14.021 On Wednesday 3 March 2010, the writer made an entry in her counter record book wherein she has indicated that she had “done a quote and invoice for Unite Mzansi Trading”. The fact that she had prepared a quotation and invoice simultaneously confirms that a proper procurement process was not followed by the SCM unit when awarding work to Panday and his related entities.

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<sup>1</sup> Refer to paragraph 14.044 to 14.055 (14.056 to 14.085).

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- 14.022 Panday, on numerous occasions, requests a breakdown of all the companies who had previously won work from the SAPS and also appears to have in some instances set out the amounts to be included in the quotations. In Record 6 on page 126 of my report the writer obtained prices of GPS units at a cost of R2,795 whereafter Panday has instructed her to issue quotes for these units in the amount of R9,995. I have already eluded above that when she was preparing the quotations for these GPS Units she received an instruction from Panday to prepare two sets of quotes – one for Valotone 21 CC and another for Bravosat 25 CC to win the work.
- 14.023 The aforementioned prices also indicate that Panday's mark up on these GPS units was not market related as his profit margin, based on the entry in Record 6 would have been 258%. (The exact margins are discussed in subsequent paragraphs of this report when dealing with each of Panday's related entities orders and suppliers invoices.)<sup>1</sup>

**COVER QUOTING RECORDS – GOLDCOAST TRADING**

- 14.024 My analysis of documentary evidence contained in a lever arch file marked volume 55 which was seized from the premises of Goldcoast Trading at 303 The Quartz, 45c Zenith Drive, Umhlanga Ridge contains numerous schedules which contain information as to how Panday, and his related entities, manipulated the quotations to the prejudice of the SAPS.
- 14.025 The aforementioned schedules related to the following entities:
1. Mzansi Trading Projects (**Document No. 19300**); **A4**
  2. Bravosat (**Document No. 19301|2**); **A5**
  3. Kaseev (**Document No. 19303**); and **A6**
  4. Valotone (**Document No. 19304|5**). **A7**

<sup>1</sup> Refer to paragraph 17.017 to 17.021 (Valotone 21 CC), 18.029 to 18.036 (Unite Mzansi Trading) and 19.031 to 19.038 Bravosat 25 CC.

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- 14.026 The headings that appear on the abovementioned schedules include: invoice number; description, amount, unpaid, quotes and the names of the entities who quoted against the said entity. Each of these schedules are discussed hereunder:

**(i) Unite Mzansi Projects (Document No. 19300)**

A4

- 14.027 A screenshot of the schedule in respect of Mzansi Trading Projects (document No. 19300) is illustrated in Record 54 below:

A4

Record 54

Invoice number	Description	Amount	Unpaid	Quotes	Valotone	Kaseev
1001	Mercedes Bens c180	R198,765.00	Paid	Nil		
1002	Bottled Water, Paint Brushes , Piant Scrapper	R28,000.00	Unpaid	Nil		
1003	5x Cases Bottled Water (24 Bottles )	R1800.00	Unpaid	Nil		
1004	Piant etc	R13,451.00	Unpaid	Nil		
1005	Remote Controlled Car	R13,799.00	Unpaid	Nil		
1006	Defy Microwaves	R6900.00	Unpaid	1	3	2
1007	Fire Extinguishers	R18,000.00	Unpaid	1	3	2
1008	Water Coolers	R14,288.76	Unpaid	1	3	2
1009	Ration Packs	R142,500.00	Unpaid	1	3	2
1010	Sand Bags	R195,000.00	Unpaid	1	3	2
1011	Sun Screen	R48,000.00	Unpaid	1	2	3
1012	Garmin	R76,000.00	Unpaid	1	2	3
1013	Ration Packs	R142,500.00	Unpaid	1	3	2
1014	Extention Cord	R2,212.74	Unpaid	1	3	2
1015	Cable Ties	R2,455.56	Unpaid	1	2	3
1016	Dinner Set	R16,500.00	Unpaid	1		2

A4

- 14.028 I have interpreted the abovementioned information to be, in all instances where for example the column labelled “Quotes” and which I have marked as “A” above and there is a “1”, that this indicates that Unite Mzansi Projects provided the lowest quotation of the two suppliers identified in columns marked “B” and “C”, who are Valotone and Kaseev respectively.

A4

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- 14.029 Based on the abovementioned schedule, I can conclude that, in respect of these specific invoice numbers (as per “D” in Record 54 above ), that the SCM representatives and Panday colluded with another to ensure that three quotations are supplied in each instance to ensure that they were compliant with the procedures set out in the SAPS SCM Manual. Therefore, the procurement process was not fair, equitable, competitive and cost effective as required in section 38 of the PFMA and section 217 of the Constitution of South Africa.

A4

*(ii) Bravosat 25CC (Document No. 19301|2)*

A5

- 14.030 A screenshot of the schedule in respect of Bravosat (**Document No’s 19301|2**) is set out below as per Record 55 and Record 56:

A5



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## Record 55

Invoice number	DESCRIPTION	AMOUNT	UNPAID	Quote	Valtone	Goldcoast
1001	60 x Double Duty Belts	R93,000.00	Paid	1	2	3
1002	60 x D Shell Holster	R46,500.00	Paid	1	2	3
1003	60 x Hand Gun Retention Cables	R27,000.00	Paid	1	3	2
1004	60 x Jumpsuits	R144,000.00	Paid	1	2	3
1005	30 x Leveliii a Balistice Helmets	R99,900.00	Paid	1	2	3
1006	225 x Berets	R56,250.00	Paid	1	2	3
1007	250 x Berets	R62,500.00	Unpaid	Nil		
1008	120 x Manufacture name and tactical badges	R40,000.00	Unpaid	Nil		
1009	60 x Torches	R72,000.00	Unpaid	Nil		
10010	60 x Slings	R57,000.00	Unpaid	Nil		
10011	100 x Tactical Gloves	R49,500.00	Paid	1	2	3
10012	100 x Ess Goggles	R99,500.00	Paid	1	2	3
10013	100 xSlings	R95,000.00	Paid	1	2	3
10014	100 x Berets	R25,000.00	Paid	1	2	3
10015	50 x Jumpsuits	R120,000.00	Paid	1	2	3
10016	50 x Battle Jackets	R122,500.00	Paid	1	2	3
10017	50 x Level iii Balistice Helmets	R166,500.00	Paid	1	2	3
10018	100 x Heavy Duty Belts	R155,000.00	Paid	1	2	3
10019	100 x Leg Rig With Pouches	R99,500.00	Paid	1	2	3
10020	6 x Video Camera's	R109,500.00	Paid	1	2	3
10021	5 x Digital Camera's	R97,500.00	Paid	1	3	2
10022	10 x Nuvi Garmin	R99,950.00	Paid	1	2	3
10023	1 x White Board	R1250.00	Paid	1	3	2

A5|1

## Record 56

10024	3 x Water Cooler Dispensers	R20,609.82	Paid	NIL		
10025	2 x Gazebo's	R23,000.00	Paid	1	3	2
10026	1 x Generator	R92,500.00	Paid	1	2	3
10027	5000 x Neon Green Armbands	R45,000.00	Paid	NIL		
10028	1 x Genrator Yamaha	R91,000.00	Paid	1	2	3
10029	4 x Defy Fridge	R39,588.00	Paid	Nil		
10030	4 x Microwaves	R6599.00	Paid	Nil		
10031	1 x Steel Stationery Cupboard	R4788.00	Paid	Nil		
10032						
10033	2 x 4 Draw Filing Cabinets	R9576.00	Paid	Nil		
10034	1 x LG Projector & Screen	R21,570.00	Paid	Nil		

A5|2

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- 14.031 Once again it appears that in a number of instances that Bravosat, Valotone and Goldcoast competed against one another and therefore, this would again indicate that the procurement process in respect of orders awarded to Bravosat 25 CC as detailed in Record 55 and Record 56 above was not fair, equitable, competitive and cost effective. **A5**

**(iii) Kaseev Traders (Document No 19303)****A6**

- 14.032 A screenshot of the schedule in respect of Kaseev (**Document No's 19303**) is set out below as per Record 57 below:

**Record 57**

Invoice number	DESCRIPTION	AMOUNT	UNPAID	Quotes	Valtone	Unite Mzansi
001	Dustcoats, white caps, goggles & Masks	R88,908.00	Unpaid	Nil		
002	10 x Aluminium Boards	R16,530.00	Unpaid	Nil		
003	1x Bmw , 2 x Vw T5 Bus	R20,257.80	Unpaid	Nil		
004	3 x Hp Laptops	R75,240.00	Unpaid	Nil		
005	Bottled Water	R4200.00	Unpaid	Nil		
007	Notice boards	R68,639.49	Unpaid	1	3	2
008	Sleeping Bags	R44,460.00	Unpaid	1	2	3
009	Digital Camera	R37,000.00	Unpaid	1	3	2
0010	Flood Lights	R125,000.00	Unpaid	1	3	2
0011	Flood Lights	R125,000.00	Unpaid	1	3	2
0012	Upclose Binoculars	R4320.00	Unpaid	1	2	3
0013	Polydrop Plastic Stackable chairs	R22,500.00	Unpaid	1	3	2
0014	Jerry cans 25 lt	R13,980.00	Unpaid	1	2	3
0015	Steel Tables	R27,000.00	Unpaid	1	2	3

**A6**

- 14.033 Once again, it appears from the information contained in Record 57 above that, in a number of instances, Kaseev, Valotone and Unite Mzansi cover quoted against one another. Therefore, this indicates that the procurement process in respect of orders awarded to Kaseev Traders as detailed in Record 57 above was not fair, equitable, competitive and cost effective. **A6**

**(iv) Valotone 21CC (Document No. 19304/5)****A7**

- 14.034 A screenshot of the schedule in respect of Valotone (**Document No's 19304/5**) is set out in Record 58 and Record 59 below: **A7**

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## Record 58

A7|1

Invoice number	DESCRIPTION	AMOUNT	Unpaid	Quotes		
					Bravosat	Goldcoast
100	60 x Utility Leg Rig	R59,700.00	Paid	1	3	2
101	60 x Knee Elbow Pads	R41,700.00	Paid	1	2	3
102	60 x Ess Goggles	R59,700.00	Paid	1	3	2
103	60 x Tactical Gloves	R29,700.00	Paid	1	2	3
104	60 x Battle jackets	R147,000.00	Paid	1	2	3
105	60 x Equipment Bags	R117,000.00	Paid	1	2	3
106	60 x Jumpsuits altered and Fitted Name Badge	R20,000.00	Paid	1	2	3
107	30 x Level iii Ballistic Helmats	R99,900.00	Paid	1	2	3
108	120 x Torch Batteries	R18,000.00	Unpaid	1	2	3
109	100 x Padlock Brass Locks	R25,000.00	Unpaid	Nil		
1026	100 x Torch Batteries	R15,000.00	Unpaid	1	2	3
					Unite Mzansi	Kaseev
1031	75 x Jumpsuits	R195,000.00	Unpaid	Nil		
1032	75 x Jumpsuits	R195,000.00	Unpaid	Nil		
1033	4 x Upright Fridges	R16,800.00	Unpaid	1	3	2
1034	2 x Dvd Players	R1998.00	Unpaid	1	2	3
1035	4 x Salton Urn	R10,788.00	Unpaid	1	3	2
1036	6 x Medical Aid Kite s	R10,800.00	Unpaid	1	2	3
1037	7000x Security Stickers	R1097.00	Unpaid	1	2	3
1038	2x 20 Ton Nyala Jack	R3600.00	Unpaid	1	2	3
1039	2 x Range Finder	R92,700.00	Unpaid	1	3	2
1040	2x Range Finder	R92,700.00	Unpaid	1	3	2
1041	40x Camp Folding Beds	R85,560.00	Unpaid	1	2	3

## Record 59

A7|2

1042	3 x Venter Trailers	R20,700.00	Unpaid	1	3	2
1043	2100 x Torch Batteries	R145,425.00	Unpaid	1	3	2
1044	50 x Spotlights	R46,012.00	Unpaid	1	2	3
1045	1x Angle iron	R47,040.00	Unpaid	1	2	3
1046	1 x Hessian	R75,000.00	Unpaid	1	2	3
1047	2x Multimedia Projector and Screen	R44,500.00	Unpaid	1	2	3
1048	12 x Belly Scopes	R42,000.00	Unpaid	1	2	3
1049	4 x Endo Scopes	R92,000.00	Unpaid	1	2	3
1050	12 x Hand Held Scanners	R99,840.00	Unpaid	1		
1051	12 X Hand Held Scanners	R99,840.00	Unpaid	1	3	2
1052	4x Normal T V	R24,000.00	Unpaid	1	2	3
1053	200x Berets	R53,000.00	Unpaid	Nil		
1054	11x Garmin	R104,500.00	Unpaid	1	3	2
1055	200 x Duracell Batteries	R13,100.00	Unpaid	1	3	2

PwC

References in the margin refer as follows:

(A - H) prefix - Annexure Number

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- 14.035 Once again, it appears from the information contained in Record 58 and Record 59 above that, in a number of instances, Valotone, Bravosat and Goldcoast competed against one another and in other instances Valotone, Unite Mzansi and Kaseev competed against one another. This observation indicates that the procurement process in respect of orders awarded to Valotone 21 CC as detailed in Record 58 and Record 59 above was not fair, equitable, competitive and cost effective.

A7

**Summary of Findings for Volume 55**

- 14.036 Based on the information contained in the abovementioned schedules, I am able to conclude that the information contained thereon confirms that Unite Mzansi Trading, Bravosat 25 CC, Kaseev Traders, Valotone 21 CC and Goldcoast Trading all competed against one another.
- 14.037 The effect of this is that they colluded in such a way that there was no open competition resulting in a procurement process that was not fair, equitable, competitive and cost effective and this conduct prejudiced the SAPS.

**EVIDENCE OF COVER QUOTING IN SAPS PROCUREMENT AUTHORITY SUBMISSIONS**

A8 – A31

- 14.038 I have identified amongst the exhibits seized from the SAPS Finance Section a number of submissions for the “Procurement Authority” to purchase items for SAPS ORS KZN.
- 14.039 All these submissions show that three quotations were obtained by Provincial SCM and which documents also include the suppliers name, price, points for price, HDI, woman equity and disability for each of the three suppliers who provided a quotation. An example of this information (**Document No. 13148**) is shown in Record 60 below:

A8 – A31

A30

PwC

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## Record 60

	KASEEV TRADERS CC	UNITE MZANSI TRADING AND PROJECTS	VALTONE 21 CC
Price	R95 988,00 <sub>Λ</sub>	R98 400,00 <sub>Λ</sub>	R99 840,00 <sub>Λ</sub>
Points for Price	80 <sub>Λ</sub>	78 <sub>Λ</sub>	76.77 <sub>Λ</sub>
HDI	0 <sub>Λ</sub>	0 <sub>Λ</sub>	0 <sub>Λ</sub>
Women Equity	0 <sub>Λ</sub>	0 <sub>Λ</sub>	5 <sub>Λ</sub>
Disability	0 <sub>Λ</sub>	0 <sub>Λ</sub>	0 <sub>Λ</sub>
<b>TOTAL</b>	<b>80<sub>Λ</sub></b>	<b>78<sub>Λ</sub></b>	<b>81.77<sub>Λ</sub></b>

A30

- 14.040 I can also conclude, for each of these submissions for orders that were awarded to Panday and his related entities, that they have been signed by what appears to be Narainpershad who has certified in paragraph 3.1 that he has verified the documents in accordance with the preferential procurement point system (80/12) to evaluate the suppliers. An example of this information is shown in Record 61 below:

A8

A30

## Record 61

3.1. The preferential procurement point system (80/20) is used to evaluate suppliers.

A8

A30

POINTS CALCULATED BY	DOCUMENTS VERIFIED
CPAC S RAMDHANI	CAPT A NARAINPERSHAD

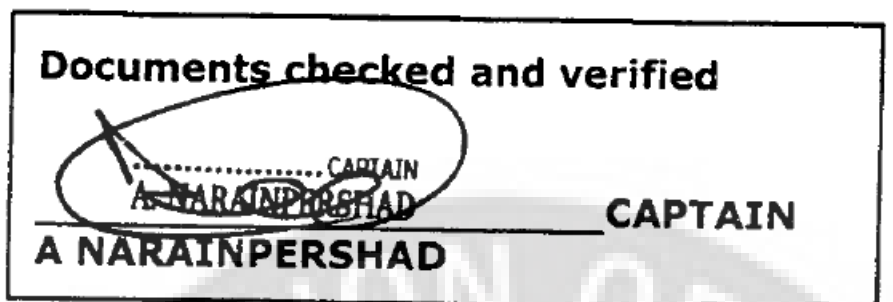
- 14.041 Appended on each of these submissions is a stamp which stamp verifies that Narainpershad has checked and verified the documents and has appended his signature on the submission to confirm that this has been done. An example thereof is illustrated in Record 62 below:

A8 &amp; A30

PwC

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## Record 62

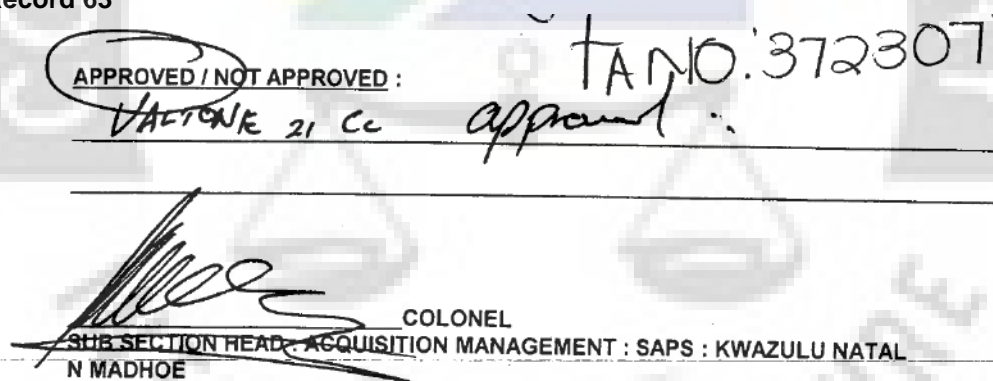


A30

- 14.042 I have further observed that for each one of these documents that Madhoe, as the Sub Section Head: Acquisition Management: has approved the recommendations made in this submission by appending what appears to be his signature to the place provided at the bottom of the page of this submission. An example of this approval and signature is illustrated in Record 63 below:

A8 &amp; A30

## Record 63



A8 &amp; A30

- 14.043 The submission also indicates that all points calculated were done by CPAC S Ramdhani (refer to Record 61 above) whilst she also appears to have signed in the place for the recommendation.

A8 &amp; A30

PwC

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## Procurement Authority Submissions for Panday's Related Entities

A9 – A31

14.044 My examination of documents contained in a lever arch file marked Finance-Volume 36 identified twenty three (23) Procurement Authority Submissions where recommendations were made to award orders to Unite Mzansi Trading, Valotone 21 CC or Kaseev Traders.

A8

14.045 The details of these twenty three submissions are set out below:

A9 – A31

No	Date	Goods Required	Kaseev Traders	Unite Mzansi	Valotone	Company Approved	Document Ref No	Order No <sup>1</sup>
1	06/05/2010	DIGITAL CAMERA (2)	37,000.00	38,500.00	39,500.00	Kaseev Traders	13081	AD341780
2	05/05/2010	SLEEPING BAGS	44,460.00	45,360.00	47,240.00	Kaseev Traders	13084	AD341779
3	06/05/2010	FLOOD LIGHTS	125,000.00	139,250.00	146,750.00	Kaseev Traders	13101	AD341795
4	06/05/2010	FLOOD LIGHTS	125,000.00	139,250.00	146,750.00	Kaseev Traders	13103	AD341781
5	06/05/2010	NOTICE BOARDS (18)	68,639.40	76,194.00	79,524.00	Kaseev Traders	13139	AD341778
6	06/05/2010	SUN SCREEN HIGHEST SPF	57,600.00	48,000.00	54,600.00	Unite Mzansi	13106	AD341775
7	05/05/2010	SAND BAGS	197,000.00	195,000.00	199,500.00	Unite Mzansi	13109	AD341774
8	05/05/2010	RATION PACK	165,000.00	142,500.00	177,500.00	Unite Mzansi	13112	AD341773
9	05/05/2010	GARMIN NUVI 1410 GPS	79,600.00	76,000.00	78,000.00	Unite Mzansi	13115	AD341776
10	05/05/2010	RATION PACK	165,000.00	142,500.00	177,500.00	Unite Mzansi	13131	AD341777
11	06/05/2010	ENDO SCOPE (4)	100,000.00	97,200.00	92,000.00	Valotone 21 CC	12929	AD341792
12	06/05/2010	MULTI MEDIA PROJECTORS	49,200.00	47,560.00	44,500.00	Valotone 21 CC	13090	AD341790
13	06/05/2010	BELLY SCOPE (12)	43,560.00	46,200.00	42,000.00	Valotone 21 CC	13093	AD341791
14	06/05/2010	ANGLE IRON	53,760.00	50,400.00	47,040.00	Valotone 21 CC	13097	AD341788
15	06/05/2010	BEDS CAMPFOLDING (40)	100,000.00	93,920.00	85,560.00	Valotone 21 CC	13118	AD341784
16	05/05/2010	VENTER TRAILERS	86,700.00	93,000.00	89,100.00	Valotone 21 CC	13122	AD341785
17	06/05/2010	BEDS TORCH BATTERIES (2100)	137,550.00	149,000.00	145,425.00	Valotone 21 CC	13125	AD341786
18	06/05/2010	SPOT LIGHTS (50)	44,762.00	43,935.00	46,012.50	Valotone 21 CC	13128	AD341787
19	06/05/2010	RANGE FINDER X2	90,000.00	95,000.00	92,700.00	Valotone 21 CC	13133	AD341782
20	06/05/2010	BEDS HASSAIN SACKS (1500M)	83,250.00	79,500.00	75,000.00	Valotone 21 CC	13142	AD341789
21	06/05/2010	HANDHELD SCANNERS	95,988.00	98,400.00	99,840.00	Valotone 21 CC	13145	AD341793
22	06/05/2010	HANDHELD SCANNERS	95,988.00	98,400.00	99,840.00	Valotone 21 CC	13148	AD341794
23	06/05/2010	RANGE FINDER X2	90,000.00	95,000.00	92,700.00	Valotone 21 CC	13154	AD341783

<sup>1</sup> I have reconciled each of the twenty three (23) procurement authority submissions to order numbers issued to each of Panday's related entities which order numbers are recorded in this column.



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14.046	My observations from the examination of the aforementioned procurement authority submissions, in addition to those detailed above in paragraphs 14.038 to 14.043, revealed that they are all dated either 5 or 6 May 2010 and, according to paragraph 1 thereof, they are all in respect of an application from SAPS Provincial ORS dated 26 March 2010.	A8 A9 – A31
14.047	In each of the abovementioned twenty three cases, all three of these entities competed against each other in the SAPS procurement process and therefore, my conclusions earlier in this report with regard to the procurement process not being fair, equitable, transparent, competitive and cost effective is supported by the above mentioned finding.	A8 A9 – A31
14.048	I do not want to discuss the cost effectiveness of each of these purchases in this section of my report as I have dealt with this aspect in more detail further on when discussing the orders awarded to each of these suppliers. However, in order to support my aforementioned conclusions, I will briefly refer to order No. AD341773 ( <b>Document No. 12867</b> ) and order No. AD341777 ( <b>Document No. 12851</b> ) that was given to Unite Mzansi Trading in the amounts of R142,500 each.	A16 – A18 G11 & G15
14.049	Both the aforementioned orders and their supporting invoices ( <b>Document No. 12866</b> and <b>12850</b> ) indicate that each order was for the procurement of 500 ration packs at a cost of R285 a unit. The aggregate quantity of ration packs of 1000 units purchased from Unite Mzansi Trading by the SAPS cost them R285,000. Both the orders for Unite Mzansi Trading are dated the same day (10 May 2010) in addition to, their supporting invoices also having the same date (17 May 2010). This indicates that the order was spilt so that it would not exceed R200,000 in order to stay within the approved delegated amount (Refer to paragraph 4.2.1.2 of the SCM manual or paragraph 11.031 number 3 on page 63 of this report which Madhoe was authorised to approve).	G11 G15  G11b 1-3 G15b 1-3  A1 28

PwC



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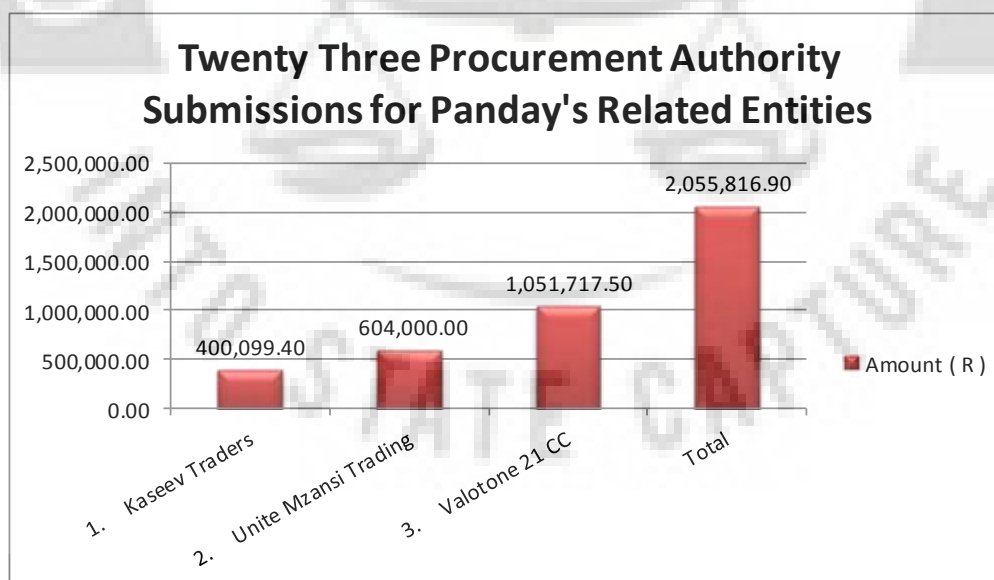
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- 14.050 I have also identified in the records of Panday an invoice (**Document No 26665**) from Hampers Sales (Pty) Ltd t/a Snippets Hampers dated 12 May 2010 in the amount of R93,201 for 1000 ration packs (this includes the delivery charge). The cost prices of these ration packs for Panday is R77.15 a unit (excluding VAT and delivery) or R93.20 a unit (including VAT and delivery).
- 14.051 This means that Panday's profit margin on this specific transaction is 206%<sup>1</sup> and, in view that the procurement process was not competitive, fair and transparent this further supports my conclusion that it was not cost effective to the police. Had the police procured the ration packs directly from the supplier the same ration packs would have only cost them R93,201 instead of R285,000.
- 14.052 The aggregate sum of orders awarded to the Kaseev Traders, Unite Mzansi Trading and Valotone 21 CC in accordance with the twenty three orders referred to in paragraph 14.045 above is R2,055,816.90 which amount can be broken down for each supplier as follows:

G11b|3

G15b|3



<sup>1</sup> = 100 x (((142,500 x 2) - 93,201)) ÷ 93,201 = 205.79%

14.053 If I were to assume that the profit margin earned on the ration packs was the same for other items purchased from Panday and his related entities (i.e. 206%), then it would mean that the aggregate cost of all these items to Panday would have been R671,835<sup>1</sup>. Therefore, Panday would have made a profit of R1,383,981<sup>2</sup> on the twenty three orders awarded to his related entities. This would further suggest that the procurement process was not cost effective and that the cost to the police should only have been the value of Panday's cost of sales (R1,383,981). However, I will show later in my report that while the assumption of a 206% profit margin is reasonable these margins varied from 60% to 560% and it would therefore be inaccurate to apply this profit margin retrospectively to all orders placed with Panday's related entities.

14.054 In addition to the aforementioned finding, I can also conclude that the unsuccessful quotations received in respect of the purchase of the ration packs was from Kaseev Traders and Valotone 21 CC whose prices quoted are as follows:

Supplier	AD341773, AD341777 Amount (R)	Unite Mzansi Traders Amount (R)
Kaseev Traders	165,000	142,500
Valotone 21 CC	177,500	142,500

G11a|1

G15a|1

14.055 These figures indicate that the profit margins on Kaseev Traders and Valotone 21 CC quoted amounts would have been 254%<sup>3</sup> and 281%<sup>4</sup> respectively. Hence, there was no competitive bidding in the purchase of the ration packs by the police from Unite Mzansi Trading.

<sup>1</sup> = (2,055,816.90) ÷ (1 + (206/100)) = 671,835.59

<sup>2</sup> 2,055,816.90 – 671,835.59 = 1,383,981.31.

<sup>3</sup> = 100 x (((165,000 x 2) – 93,201)) ÷ 93,201 = 254.07%

<sup>4</sup> = 100 x (((177,500 x 2) – 93,201)) ÷ 93,201 = 280.90%

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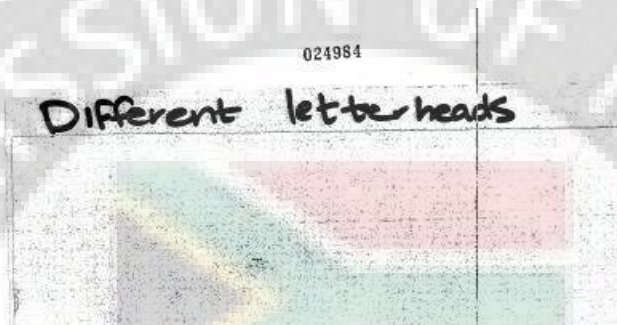
## Additional Evidence of Cover Quoting

A32 – A63

- 14.056 The examination of volume 76 of the exhibits, being a lever arch file marked “Goldcoast Trading CC Exhibit bag 0006799”, revealed that Panday was also in possession of various letterheads from other entities not included in this investigation. The heading, as appearing on the first page in this file, is illustrated in Record 64 below:

A32

## Record 64



A32

- 14.057 Immediately subsequent thereto are, *inter alia*, a number of blank letterheads for other entities other than Panday’s related entities. Detailed hereunder is a summary of the documents found immediately after Record 64:

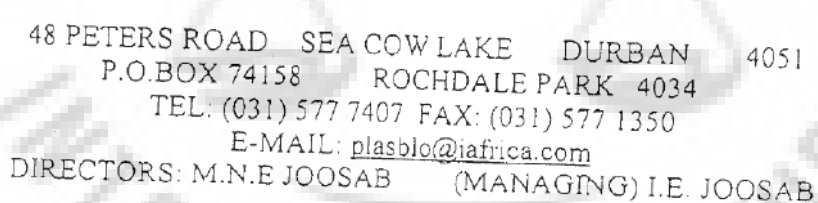
- |  |                      |     |
|--|----------------------|-----|
| 1. Pearl Star Investment 246 <sup>1</sup>                    | (Document No 24985)  | A33 |
| 2. Launchzone Travel Solutions                               | (Document No. 24986) | A34 |
| 3. Plastic Blown Containers (Pty) Ltd                        | (Document No. 24987) | A35 |
| 4. Blank A4 page with “Block A 45 Peters RD” written thereon | (Document No. 24988) | A36 |
| 5. Rocksteel Investments (Pty) Ltd                           | (Document No. 24989) | A37 |
| 6. Afeefah Investment T/A Bassa’s Wholesale                  | (Document No. 24990) | A38 |

<sup>1</sup> This letter is addressed to Yvonne Hodge of TAB Gold and therefore, not blank although it is filed in the in Volume 76 under the heading “Different Letterheads”.

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	7. Afeefah Investment T/A Bassa's Wholesale Hardware	(Document No. 24991)	A39
	8. A4 blank page with "Rock Steel, Mish Mart, P.B.C and Rashin" written thereon.	(Document No. 24992)	A40
	9. Mish Mart Holdings (Pty) Ltd	(Document No. 24993)	A41
	10. A4 blank page with "119 Garbut Rd, Sherwood, Fax 031 207 8092, 031 207 3699" written thereon.	(Document No. 24993A)	A42
14.058	I have observed from the examination of these documents that the address appended on the letterhead for Plastic Blown Containers (Pty) Ltd (Document No. 24987) is the same as that that appears on Unite Mzansi Trading's EFT application <sup>1</sup> for registration on the SAPS supplier database namely "48 Peters Road, Sea Cow Lake Durban." This address as printed on this letter is illustrated in Record 65 below:		A35 G2 4
	<b>Record 65</b>		A35
			
14.059	Based on the above-mentioned observations, it would be reasonable to conclude that Unite Mzansi Trading and Plastic Blown Containers (Pty) Ltd may be related.		

<sup>1</sup> Refer to paragraph 10.068.

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- 14.060 Experian reports were obtained of the statutory information on each of the entities identified in paragraph 14.057 1 to 10 above from which I have been able to determine that Mr Mahomed Naheem Ebrahim Joosab (id 621120 5212 050) is a director of:
1. Rocksteel Investments (Pty) Ltd<sup>1</sup>; A44
  2. Mishmart Holdings (Pty) Ltd<sup>2</sup>; A47
  3. Plastic Blown Containers (Pty) Ltd<sup>3</sup>. A45
- 14.061 The physical address appended on the reports for each of the aforementioned entities, with the exception of Rocksteel Investments, is the same as Unite Mzansi Trading being 48 Peters Road, Sea Cow Lake. The aforementioned address is the same address that is printed on the blank letter head of Plastic Blown Containers (Pty) Ltd (**Document No. 24987**) as already discussed above and referred to in Record 65 above. A44 & 45  
A47  
A35
- 14.062 Based on the abovementioned observation, it would be reasonable to conclude that Unite Mzansi Trading, Mish Mart Holdings and Plastic Blown Containers all operated from 48 Peters Road, Sea Cow Lake and therefore, are linked with each other in one way or another.
- 14.063 I have observed from the examination of the two blank letter heads for Afeefah Investment t/a Bassa's Wholesale (**Document 24990 and 24991**) that was located in volume 76 that both these letter heads are the same except that, in the latter document, the name of the business includes the word "Hardware". This is best illustrated in Record 66 and Record 67 below: A38 & A39

<sup>1</sup> Registration No. 2004/031161/07.<sup>2</sup> Registration No. 2004/002599/07.<sup>3</sup> Registration No. 1947/027849/07.

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## Record 66

07 Jun 10 10:25 USER 0212098068 F-1  
0311398466  
021930  
AFEEFAH INVESTMENT  
**T/A BASSA'S WHOLESALE**  
VAT NO: 4910214149 CC NO: 2003/075122/23  
P.O. BOX 48958 81 SPARKS ROAD TEL: 0027-31-2089274/5  
QUALBERT OVERPORT FAX: 0027-31-2098068  
4078 DURBAN MOBILE: 0027-827000701  
4091  
DURBAN  
E-MAIL: cbassa@hotmail.com

## Record 67

07 Jun 10 10:25 USER 0311398466 F-1  
021931  
AFEEFAH INVESTMENT  
**T/A BASSA'S WHOLESALE ~~HARDWARE~~**  
VAT NO: 4910214149 CC NO: 2003/075122/23  
P.O. BOX 48958 81 SPARKS ROAD TEL: 0027-31-2089274/5  
QUALBERT OVERPORT FAX: 0027-31-2098068  
4078 DURBAN MOBILE: 0027-827000701  
4091  
DURBAN  
E-MAIL: cbassa@hotmail.com

A38 &amp; A39

14.064 It appears that the letterhead of Bassa's Wholesale Hardware was amended by deleting the word "Hardware" from the original letter identified in Record 67 above and thereby creating a new letterhead, as per Record 66, which changed the trading name to Bassa's Wholesale.

14.065 The aforementioned conclusion is further supported by the three quotations located amongst the exhibits in SCM unit records as follows:

1. Quotation No. "Jan118" dated 22 January 2010 in the amount of R57,500 (Document No. 16616); A49
2. Quotation No. "Dec 15" dated 9 December 2006 in the amount of R25,580 (Document No. 14779); and A50
3. Quotation No. "Oct 32" dated 22 October in the amount of R31,848 (Document No. 14769). A51

14.066 In all three of the abovementioned documents, the name of the entity is recorded as "Afeefah Investment T/A's Bassa's Wholesale" and not "Afeefah Investment T/A's Bassa's Wholesale Hardware". A49 – A51

14.067 I have also located a procurement authority submission dated 22 January 2010 (Document No 16613) amongst the exhibits (volume 46 retrieved from SCM) from which I have determined that Bravosat 25 CC, Mishmart Holdings and Afeefah Investments all "*competed*" against each other for the supply of arm bands. According to paragraph 2 of this document, Narainpershad obtained the quotations from these three companies and he has also certified and verified that he checked the documents. An extract of this is illustrated hereunder in Record 68 below: A52|1-6  
A52|2

PwC



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## Record 68

2. **Three** quotations were obtained from the following suppliers by Captain Narainpershad

3.

	BRAVOSAT 25 CC	MISH MART HOLDINGS (PTY) LTD	AFEFAH INVESTMENTS
Price	R45 000,00 A	R60 000,00 A	R57 500,00 A
Points for Price	80 A	53.33 A	57.78 A
HDI	0 A	0 A	0 A
Women Equity	0 A	0 A	0 A
Disability	0 A	0 A	0 A
<b>TOTAL</b>	<b>80 A</b>	<b>53.33 A</b>	<b>57.78 A</b>

A52|

14.068 In this instance, Madhoe approved the recommendation that the Bravosat 25 CC be awarded the work and I can conclude that order no AD338681 was in fact issued to Bravosat 25 CC in the amount of R45,000 on 16 February 2010

F11

14.069 Mr Ebrahim Cassim Bassa Bassa, the owner of Afeefah Investments trading as Wholesale Hardware CC was interviewed and an affidavit obtained. He stated that he did not submit any of the quotations listed in 14.064 above or any other quotations to the SAPS. He further stated that he is not registered on the SAPS database nor has he ever applied to be registered on the SAPS database as a supplier.

**Plastic Brown Containers**

14.070 I have only been able to trace three documents amongst the documentary evidence seized by the police that related to "Plastic Brown Containers". These three documents are detailed hereunder:

1. Standard Bank statement from Account No. 252133412 (Panday) dated 5 February 2008 (**Document No. 29952**);
2. A blank Rocksteel Investments letter with the word cancelled appended thereon (**Document No. 24989**); and

A53

A54

PwC



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3. Absa Bank statements for Valotone 21 CC dated 18 July 2010  
(Document No. 33390/1).

A55

- 14.071 On 1 February 2008 Panday deposited a cheque in the amount of R100,000 into his Standard Bank account No. 252133412 which was unpaid and which transaction was identified as :”Plastic Blown STP”. A copy of this transaction is detailed hereunder:

A53

## Record 69

CHEQUE DEPOSITED UNPAID  
3008 PLASTIC BLOWN STP

CHEQUE 93

ELECTRONIC TRF – CREDIT  
CARD 9363 NEDCARD A P  
5898460759074594

CHEQUE DEPOSIT T PANDAY  
UMHLANGA RID 347

100.000,00– 02 01 62.094,27–000635584

450,00– 02 02 62.544,27–013992688

67.692,36– 02 02 130.236,63–019490587

100.000,00 02 04 30.236,63–000782984

A53

- 14.072 Included amongst the documents seized from Panday (Volume 76) is a Rocksteel Investments letter (Document No. 24989) that was faxed from Plastic Brown Containers on 7 June 2010 at 09:57. This is illustrated in Record 70 below:

A54

## Record 70

7/06/2010 09:57 Plastic Blown Containers

2010 06/07 08:58 FAX 0118189079

(FAX)0315776285

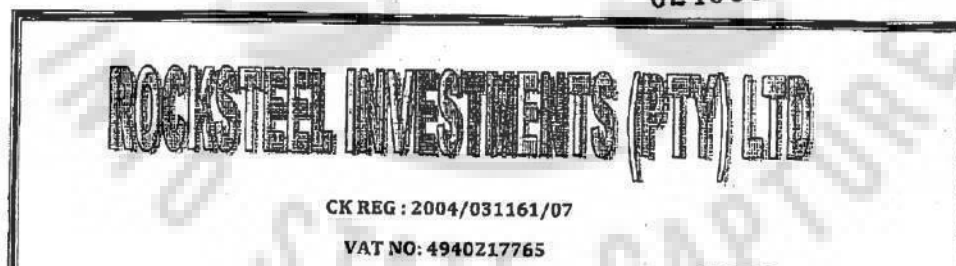
P.001/001

001/001

0315776285

DISTINE

024989



A54

- 14.073 I have also identified a transaction in the ABSA Bank statements of Valotone 21 CC in which it appears that, on 12 July 2010, Valotone 21 CC has paid R200,000 to Plastic Brown Containers (Document No. 033390/1).

A55|1 – 2

PwC

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**Pearl Star Investments**

- 14.074 I have identified six quotations in exhibits (volume 41) seized from SCM offices that are for Pearl Star Investments 246 all of which are for accommodation. The particulars of these quotations are detailed hereunder:
1. Quotation dated 22 February 2010 in the amount of R235,000 for 150 personnel for a deployment in Nongoma and Ulundi (**Document No. 14764**); **A56**
  2. Quotation dated 22 February 2010 in the amount of R104,000 for 40 personnel for a deployment in Nongoma and Ulundi (**Document No. 14759**); **A57**
  3. Quotation dated 22 February 2010 in the amount of R189,000 for 125 personnel for a deployment in Nongoma and Ulundi (**Document No. 14753**); **A58**
  4. Quotation dated 22 February 2010 in the amount of R193,750 for 125 personnel for a deployment in Nongoma and Ulundi (**Document No. 14749**); and **A59**
  5. Quotation dated 22 February 2010 in the amount of R175,000 for 100 personnel for a deployment in Nongoma and Ulundi (**Document No. 14744**). **A60**
  6. Quotation dated 7 June 2010 in the amount of R27,000 for 12 personnel for deployments in Ballito and Hluhluwe (**Document No. 21218**); **A61**
- 14.075 For the purposes of illustrating the cover quoting between Goldcoast Trading and these additional entities, I shall briefly refer to some of the documents recovered from exhibits seized from the police (Volume 41) with specific reference to the quotation from Pearl Star Investments 246 dated 22 February 2010 (**Document No. 14744**). **A60**

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**Deployment Nongoma & Ulundi 25 to 28 February 2010.****A62**

- 14.076 A letter from the Provincial Commissioner's Office SCM dated 24 February 2010 (**Document No. 14740**) addressed to the Section Head of Acquisition Management SCM, that purports to be from Narainpershad (this letter is unsigned although his name appears in the enquiries column on the top left hand side of the page), indicates in paragraph 2 thereof that three quotations were received from letting Agents as detailed hereunder:
1. Goldcoast Trading R150,000 (**Document No. 14742**) **A62|3**
  2. Rocksteel Investments R165,750 (**Document No. 14743**) **A62|4**
  3. Pearl Star Investments 246 R175,000 (**Document No. 14744**) **A62|5**
- 14.077 Both quotations from Pearl Star Investments and Rocksteel Investments are the same as the blank supplier letter heads referred to in paragraph 14.056 to 14.062 above that were located amongst Panday's documents. **A62|4-5**  
**A33 & A37**
- 14.078 The only reasonable conclusion that can be made from the abovementioned observation is that Panday, or persons acting on his instruction, used the supplier letterheads for both Pearl Star and Rocksteel Investments to prepare cover quotes in order to create the impression that there was competitive bidding. **A33 & A37**  
**A62|4-5**
- PBC Accommodation Specialist** **A63**
- 14.079 I have also identified another letter, from the Provincial Commissioner's Office SCM dated 24 February 2010 (**Document No. 14750**), that Narainpershad appears to have been the author of, addressed to the Section Head of Acquisition Management, which indicates, in paragraph 2 thereof, that quotations were obtained from letting Agents as detailed hereunder:
1. Goldcoast Trading R184,600 (**Document No. 14752**) **A63|2**
  2. Pearl Star Investments 246 R189,200 (**Document No. 14753**) **A63|3**

PwC

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3. PBC Accommodation  
Specialist

R190,000 (Document No. 14754)

A63|4

14.080 The quotation from PBC Accommodation Specialist has been prepared in a very similar format to other quotations that have been found amongst Panday's records. This quotation does not include any addresses or contact details of this supplier. An extract of their letterhead is illustrated in Record 71 below:

A63|4

A35

Record 71



A63|4

14.081 The invoice for Goldcoast Trading in respect of this deployment, being invoice No. 100100 in the amount of R184,600 (Document No. 14751), indicates that the 125 members were accommodated at Crocodile Creek between the period 25 and 28 February 2010 i.e. 3 nights for 125 people. The invoice does not show the cost per person per night and therefore, I can only conclude that the cost per person per night, for the SAPS, would have been R492.27<sup>1</sup>.

A63|5

<sup>1</sup> R184,600 ÷ (3 x 125) = R492.27.

PwC

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- 14.082 I have also identified an invoice from Crocodile Creek to Goldcoast Trading being invoice No. 7 in the amount of R141,600 (**Document No. 22426**), as per Record 72 below, who has invoiced Goldcoast Trading for 349 members for one night. Their rate per person, as reflected on this invoice, is either R240 per night (inclusive of bed and breakfast), or R200 a night (bed only). However, of the 349 members accommodated at Crocodile Creek, only 25 had bed and breakfast at a cost of R6,000 whilst the remaining 324 were booked in for accommodation only. The invoice from Goldcoast Trading to the SAPS (**Document No. 14751**) indicates that breakfast was included with the quotation for 125 members whilst they have also indicated that the duration of the stay was for three nights whilst Crocodile Creek's invoice indicates that the stay was for one night in respect of 349 members.

A63a

A63|5

**Record 72**

TAX INVOICE 7

TO: CROCODILE CREEK 28/02/2010  
 LODGE  
 PONGOLA 3170

FROM: GoldCOAST TRADING

25 Bed & Breakfast R240 R6000-00  
 (one night)

288 Accommodation only R200 R57600-00  
 (one night)

36 Accommodation only R200 R7200-00  
 (one night)

R70800-00  
 R70800-00

022426

TERMS  
 2

A63a

PwC

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14.083 Irrespective of the differences in the abovementioned two invoices, I can conclude that the profit margin of Goldcoast Trading, in respect of three nights deployment at Crocodile Creek Lodge, would have amounted to 105%,<sup>1</sup> if their cost price was only R90,000<sup>2</sup>. Hence, the police would have paid R94,600 more for this specific order and therefore, it would be reasonable to conclude that the procurement process followed in Goldcoast Trading's appointment was not fair, transparent, competitive and cost effective.

A63|5  
A63a

14.084 I have also performed a google search on Crocodile Creek Lodge using the internet<sup>3</sup> and have determined from the result of this search that Crocodile Creek Lodge has "25 en-suite rooms and a conference room that can accommodate up to seventy people. A restaurant that can accommodate sixty is also available". The telephone number recorded for Crocodile Creek on the internet enquiry – 0343161490, is the same as that that appears on their invoice to Goldcoast Trading (**Document No. 22426**).

14.085 I have also determined from the examination of Polfin records that Goldcoast Trading invoice No. 100100 is not recorded as paid whilst a document contained in their records (**Document No. 19055**) reflects that this invoice is unpaid.

A64

**Analysis of Bank statements**

C

14.086 The Polfin records of the SAPS indicate that the payments made to Panday's related entities were paid into the following bank accounts:

Name	Account No.
1. Bravosat 25 CC	ABSA Account No. 4075017197
2. Valotone 21 CC	ABSA Account No.4075017618

F3

E3

<sup>1</sup> =  $100 \times (185,600 - 90,000) \div 90,000 = 105.11\%$

<sup>2</sup> R240 x 3 x 125 = R90,000.

<sup>3</sup> <http://www.openafrica.org/participant/crocodile-creek-lodge>

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3. Kaseev Traders	FNB Account No. 62251113313	D3
4. Unite Mzansi Trading	ABSA Account No.4075205065	G3
5. Goldcoast Trading	Nedbank Account No. 1442016728	H3

14.087 These bank accounts were subpoenaed by the SAPS and the statements on each of these accounts provided to me for further analysis and investigation. A summary of my findings in relation to the movement of funds between these related entities accounts are discussed hereunder in more detail.

(i) **Bravosat 25 CC - ABSA Account No. 4075017197**

C4

14.088 Between the period 23 February 2010 and 27 May 2010 the SAPS have paid in aggregate R2,079,468.70 into ABSA account No. 40575017197 belonging to Bravosat 25CC. During this same period the aggregate sum of credits to this account was R2,181,409.09 which comprised of R100,000.00 from Goldcoast Trading and two insignificant credits in the amounts of R950.00 and R990.30.

F3

C4a|5

C4a|5

14.089 The proceeds of the total credits in this account, including credits from the SAPS, were transferred from this account as follows:

C4a|6

Description	Amount ( R )	%
1. Goldcoast Trading Account No 1442016728	1,572,000.00	72.06
2. AE Bamath	100,000.00	4.58
3. EC Bassa	110,000.00	5.04
4. T Panday Account No. 4058448969	200,100.00	9.17
5. Salary for Mumtaz and Tasleem	10,000.00	0.46
6. Rates	56,990.08	2.61
7. External EpayFin	104,743.54	4.80
8. Cheques (unknown awaiting reply SAPS)	25,000.00	1.15
9. Bank Charges	2,575.38	0.12
<b>Total</b>	<b>2,181,409.00</b>	<b>100%</b>

PwC

References in the margin refer as follows:

(A - H) prefix - Annexure Number



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- 14.090 This indicates that Bravosat 25 CC paid 72% (R1,572,000) of all receipts into their account, most of which was from the SAPS, into Goldcoast Trading's Nedbank account No. 1442016728 and a further 9.17% (R200,100) into Panday's Standard Bank account No. 4058448969. **C4a|6**
- 14.091 It is further evident from these statements that no or very little, if any, of this money was used to pay suppliers. In addition, it would also appear from the extent of credits into this account that the only customer of Bravosat 25CC between the period 23 February 2010 and 27 May 2010 was the SAPS since they are the only entity who made payments into Bravosat 25 CC's bank account.
- (ii) Valotone 21 CC ABSA Account No. 4075017618** **C3**
- 14.092 I have determined from the examination of the ABSA bank statements for Valotone 21 CC with account No. 40575017197 for the period 18 November 2009 to 17 March 2011 that, in aggregate, this account was credited in the amount of R3,616,920.38. R3,515,704.36 of this amount comprised of deposits made by the SAPS in respect of orders placed with Valotone 21 CC. The balance was from Goldcoast Trading account in the amount of R100,000.00 and two insignificant credits in the amount of R700.00 and R516.02. **C3a|1-4**
- 14.093 During the same period Valotone 21 CC paid in aggregate R3,617,111.30 from the account to the following entities: **C3a|5**
- C3a|9**

Description	Amount ( R )	%
1. Goldcoast Trading Account No 1442016728	2,298,000.00	63.53
2. P Panday	160,000.00	4.42
3. External EpayFin	217,108.41	6.00
4. Accommodation (Beach and Durban Hotel)	168,400.00	4.66
5. Plastic Blown Container	200,000.00	5.53
6. Carl Van der Merwe	150,000.00	4.15
7. Cheques	120,000.00	3.32

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8. Cash Withdrawal	300,000.00	8.29
9. Bank Charges	3,602.89	0.10
<b>Total</b>	<b>3,617,111.30</b>	<b>100%</b>

14.094 Once again, Valotone 21 CC has paid 64% (R2,298,000) of all receipts into their account, most of which was from the SAPS, into Goldcoast Trading's Nedbank account No. 1442016728 and a further 4.42% (R160,000) to P Panday's Standard Bank Account No 053099486 (**Document No. 34212 (R100,000) and Document No. 34238 R60,000)**)

C3a|9

14.095 It is further evident from these statements that very little of this money was used to pay suppliers. In addition, it would also appear from the extent of credits into this account that the only customer of Valotone 21 CC between the period 12 January 2010 and 11 August 2010 was the SAPS since they are the only entity who made payments into Valotone's bank account.

**(iii) Kaseev Traders FNB Account No. 62251113313**

C7

14.096 I have examined the FNB bank statements for Kaseev Traders, with account No. 62251113313 for the period 8 June 2010 to 20 August 2010, and have determined that, in aggregate, R2,433,406.90 was credited to their account of which R1,552,019.40 originated from the SAPS.

C7a|1-4

C7a|5

14.097 I have also determined that Kaseev Traders have paid the expenses of Valotone 21 CC, Unite Mzansi Trading and themselves, in the aggregate amounts, as detailed hereunder:

C7a|9-10

No	Supplier	Amount Paid (R)
1.	Valotone 21 CC	59,412.31
2.	Unite Mzansi Trading	147,382.64
3.	Kaseev Traders	194,811.79
<b>Total</b>		<b>401,606.74</b>

PwC

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- 14.098 The abovementioned observation supports my earlier conclusions that these entities are related and hence, the reason why I have referred to them as Panday's related entities in my report.
- 14.099 It also supports my earlier conclusions that while these entities gave the impression of competing against one another when the SAPS where procuring goods from them they were not and therefore, the procurement process was not fair, transparent, competitive, and cost effective.
- 14.100 I can also conclude from the examination of the available bank statements for Kaseev Traders that a significant portion of the R2,433,406.90 deposited into this account, (63.78%) - R1,552,019.40, originated from the SAPS and based thereon, it would be reasonable to conclude that their major customer was the SAPS. A summary of credits paid into Kaseev Traders FNB account is detailed hereunder:

C7a|5

Transactions Description	No of credits	Total (R)	Note
Internet Transfer	6	47,400.00	(01)
Internet Transfer	11	643,000.00	(02)
Bank Charges / Interest	7	47.50	
Loan	5	189,400.00	(03)
Purchase	1	1,540.00	
SAPS	5	1,552,019.40	
<b>Total</b>		<b>2,433,406.90</b>	

C7a|5

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**Note**

- (01) The transaction merely indicates that the credit originated from an internet transfer which transactions are described on these bank statements - as "xxxx". I have also examined the cheque account of Seevesh Ishwarkumar for account number 50429038596 and have verified that the account was debited with the same amounts, on the same day, which transactions are recorded thereon as "....."
- (02) This transaction merely indicates that the credit originated from an internet transfer which transactions are described on these bank statements as "xxxxxxxxxxxxxxxxxxxxxxxxxxxx". I have also examined the money market account for Seevesh Ishwarkumar for account number 62254021878 which statements reflect that these credits could have originated from this account as the date of the transactions and amounts occurred on the same day.
- (03) The bank statements of Kaseev Traders record the transaction as "internet transfer – loan" and as a result, I am unable to confirm the contra account number for each of these five transactions.

14.101 I have determined that of the R2,433,406.90 deposited into Kaseev Traders FNB account No. 62251113313 that R2,432,740.87 was paid from the account to the following beneficiaries:

**C7a|12-14**

<b>Transactions Description</b>	<b>No of debits</b>	<b>Total (R)</b>	<b>Note</b>
Internet Transfer	3	246,755.00	(02)
Internet Transfer	3	1,000,000.00	(03)
Bank Charges	36	3,518.30	
Cash	6	207,200.00	
Kaseev Traders	11	194,811.79	(01)
Payment (and name of supplier)	14	197,520.50	(04)
Purchase (debit card point of sale)	60	151,639.33	(05)

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Rent	4	24,500.00	
Salary	7	200,000.00	
Unite Mzansi Trading	7	147,383.64	(01)
Valotone 21 CC	7	59,412.31	(01)
<b>Total</b>		<b>2,432,740.87</b>	

## Note

- (01) These transactions are in relation to payments made to third parties and are not to the entities as identified in the aforementioned table. In each instance, the bank statements contains the description or name of the contra account debited together with the reference of either: Kaseev Traders, Unite Mzansi Traders or Valotone 21 CC.
- (02) The transaction merely indicates that the debit is recorded as an internet transfer which transactions are described on these bank statements - as "xxxx". I have also examined the cheque account of Seevesh Ishwarkumar for account number 50429038596 and have verified that the account was credited with the same amounts, on the same day, which transactions are recorded thereon as "....."
- (03) The transaction merely indicates that the debit is recorded as an internet transfer which transactions are described on these bank statements - as "xxxx". I have also examined the money market account of Seevesh Ishwarkumar for account number 62254021878 and have verified that the account was credited with the same amounts, on the same day, which transactions are recorded thereon as "....."
- (04) These are payments made in relation to third parties and where there is no reference to any of the suppliers identified in Note (01).
- (05) These transactions are all debit card point of sale transactions.

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**(iv) Unite Mzansi Trading ABSA Account No. 4075205065**

C6

- 14.102 I have determined, from the examination of bank statements for Unite Mzansi Trading domiciled at ABSA Bank account No. 4075205065 between the period 13 January 2010 to 4 March 2011, that, in aggregate, this account was credited in the amount of R928,122.06. The aforementioned amount comprised of these deposits made by the SAPS in respect of orders placed with Unite Mzansi Trading and one deposit by Goldcoast as detailed hereunder:

	<b>Date</b>	<b>Amount ( R )</b>
1.	14 May 2010	198,765.00
2.	2 June 2010	647,857.06
3.	22 June 2010	65,000.00
4.	4 August 2010	16,500.00
	<b>Total</b>	<b>928,122.06</b>

C6|44

C6|44

C6|46

C6|48

- 14.103 Based on the fact that the only deposits into Unite Mzansi bank account, from unrelated entities, originated from the SAPS it is reasonable to conclude that the only customer for this entity was the police.

- 14.104 I have also determined, from my examination of the Unite Mzansi Trading's bank statements, that the proceeds of the money paid into this account by SAPS was disbursed as follows:

<b>No</b>	<b>Date</b>	<b>Description</b>	<b>Dr</b>	<b>Cr</b>
1	14/05/2010	Payment SAPS		198,765.00
2	31/05/2010	Cheque No. 2	198,000.00	
3	02/06/2010	Payment SAPS		647,857.06
4	09/06/2010	Transfer to 1027473659 PB Umhlanga	640,000.00	

C6|44

C6|44

C6|44

C6|45

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5	04/08/2010	Payment SAPS		16,500.00	C6 48
6	23/09/2010	Cheque No. 5	3,000.00		C6 51
7	08/10/2010	Cheque No. 6	11,000.00		C6 51
8	12/10/2010	Cheque No. 8	5,000.00		C6 52
<b>TOTAL</b>			<b>857,000.00</b>	<b>863,122.06</b>	

- 14.105 I have determined that on 31 May 2010 a cheque in the amount R198,000 [025664] was credited to the Nedbank account of Goldcoast Trading which amount reconciles to the abovementioned cheque amount. (The deposit slip was provided). C6b|1
- (v) Goldcoast Trading Nedbank Account No.** C2
- 14.106 I have examined the Nedbank bank statements in respect of Goldcoast Trading in respect of account No. 1442016728 for the period 29 December 2008 to 21 November 2011 and have determined that, in aggregate, R55,672,644.58 was credited to this account of which R39,336,283 was paid therein by the police. C2  
C2a|1-23  
C2a|24-25
- 14.107 A summary of the aggregate value of these transactions , as appearing in descending order, together with the number of transactions are detailed hereunder: C2a|24-25

PwC Analysis	Sum of Credit	Count of Credits
SAPS	39,336,283.00	20
(blank)	3,915,707.52	13
Cambric	2,650,000.00	5
Valotone	2,298,000.00	6
TP Solutions	1,735,000.00	16
Bravosat	1,572,000.00	4
Loan	533,500.00	6
Naheen Joosab	500,000.00	1
MI	400,000.00	1
P Panday	335,800.00	5

PwC



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PwC Analysis	Sum of Credit	Count of Credits
T Panday	325,500.00	6
Pranash	263,000.00	2
AFEEFA	250,000.00	1
Momentum	214,511.78	4
Seevesh	201,471.62	2
Subash Maharaj	151,058.48	1
Thoshan Panday	150,000.00	1
Financial Consultation	120,000.00	2
Transfer	100,000.00	1
Gonow	100,000.00	1
T Rahiman	100,000.00	1
Anisa Ebrahim	100,000.00	1
Shakaland	72,577.80	1
B Browning	45,000.00	3
Amir	40,000.00	1
Thasleem Rahiman	40,000.00	1
Gonow Auto	40,000.00	1
Road Lodge Richards Bay	30,164.20	1
Hibiscus	18,240.00	1
Nedbank	16,053.58	3
T GIYAPERSAD& ASSOCIATES	11,130.00	1
Spion kop Lodge	6,300.00	1
Cashfocus Protea Hotel Richard	1,171.60	1
Airtime	100.00	1
Bank Charges	75.00	1
<b>Grand Total</b>	<b>55,672,644.58</b>	<b>117</b>

14.108 Given the high number of transactions that appear on Goldcoast Trading's bank statements it is difficult for me to report on every transaction and, in some instances, I have merely cross-referenced a deposit, whether it was received from Panday or another third party, to the heading "deposit" that appears in the column PwC Analysis in the abovementioned table.

14.109 I can however conclude that the description of the transactions identified as Valotone 21 CC and Bravosat 25 CC on Goldcoast Trading's bank statements is reflected as either "ABSA Bank Valotone", "Valotone 21 CC", "ABSA bank Bravosat 25 CC" and or "Bravosat" and, based on these entries on these statements, I have classified them as such. Until I have been provided with the source documents relating to each of these transactions, I cannot confirm from whom the payments were received.

C2a|24-25

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- |        |   |  |
|--------|---|--|
| 14.110 | I can however confirm that the aggregate sum of credits that originate from the SAPS in the amount of R39,336,283 reconciles to the amounts stated in the Polfin records for Goldcoast Trading <sup>1</sup> .   | <b>C2a 24-25</b>                                     |
| 14.111 | I have also determined that Goldcoast Trading drew a number of cheques in favour of various beneficiaries, which cheques are bearer cheques and which were not crossed. This means that the payee would have been entitled to cash the cheque over the bank counter or to endorse it in favour of another third party. However, the bank statements for all these cheques indicate that the cheque was cashed and based thereon, I can conclude that cheques to the value of R692,887 were drawn against Goldcoast Trading's account and cashed over the counter. | <b>C2b</b>   |
| 14.112 | I have been unable to identify any payments that may have been made from Goldcoast Trading to Narainpershad, Madhoe or any other police representative from Goldcoast Trading's bank statements although it appears that various transfers were made to various accounts. For example, on 4 August 2010 an amount of R10 million was transferred from Goldcoast Trading's account purportedly to Privisha for a loan as the entry on the statement merely states "Privisha Loan." Panday's wife's name is Privisha.   | <b>C2a 1-23</b><br><br><b>C2a 26</b><br><b>C2 76</b> |
| 14.113 | I have also ascertained from the examination and analysis of these bank statements that, in aggregate, R11,179,415 purports to be paid into various accounts of Panday with the highest transaction being the R5,606,000 that was transferred to his account on 13 July 2010 and which entry reads "T Panday (Absa)".   | <b>C2a 26-27</b>                                     |

<sup>1</sup> Refer to the table in paragraph 20.001 of my report for the detailed schedule of orders and payments made to Goldcoast Trading by the SAPS.

**Forensic Analysis of Computer Images – Panday's Related Entities**

- 14.114 The SAPS have provided a number of computer images that were seized from the various premises, three of which I have determined to have originated from Panday.
- 14.115 These images were subjected to further analysis from which I have identified numerous documents which shall be discussed further in my report in more detail.
- 14.116 Specific key word searches were performed on key words identified in preceding paragraphs of this report namely: Pearl Star Investments 246; Launchzone Travel Solutions; Rocksteel Investments t/a Bassa's Wholesale, Mish Mart Holdings, Plastic Blown Containers and P.B.C Accommodation Specialist. It was determined from these searches that none of these computer images had any electronic documents for any of the entities identified above.

**Pastel Accounting System**

- 14.117 There is a number of instances where Tasleem Rahiman has indicated in her counter record book, as discussed in paragraphs 14.010 to 14.023 above, that she was instructed by Panday to update the Pastel accounting system with the necessary information. In this regard, I would refer to the following document numbers and record numbers where these entries can be examined:

1. **Document No. 19251** - Record 24 on page 133 wherein she has indicated that Panday wanted all invoices for Goldcoast Trading, Bravosat 25 CC and Valotone 21 CC to be captured onto the pastel system;
2. **Document No. 19151** - Record 25 on page 134 wherein she has recorded that she tried to capture invoices for Bravosat 25 CC and Valotone 21 CC but required a supplier invoice number;

A3|125

A3|125

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	3. <b>Document No. 19174</b> - Record 32 on page 138 where she has indicated that she was sorting out the invoices on pastel but was unable to change the fonts and formats;	<b>A3 148</b>
	4. <b>Document No. 19201</b> - Record 44 on page 142 where she has indicated that she arrived at work and started loading pastel invoices; and	<b>A3 175</b>
	5. <b>Document No. 19218</b> - Record 48 on page 143 wherein she has indicated that she has sorted out pastel.	<b>A3 192</b>
14.118	It was determined from an examination of the computer images seized from Panday or his related entities that these images did not contain pastel accounting software.	
	<b>Profile of Kaseev Traders</b>	<b>A65</b>
14.119	I have identified a document in image number 023, being an image of a computer that was seized from Panday's Office at Suite 303 The Quartz, 45 Zenith Road, Umhlanga Rocks, that contains the profile of Kaseev Traders.	<b>A65</b>
14.120	<i>Under the heading of Financial Facts it is recorded that "Kaseev Traders is very competitive in the market of supplying goods. The marginal profit is minimum compared to other companies providing the same service. The company is not restricted to any specific goods for resale."</i> I will demonstrate, in subsequent paragraphs of this report <sup>1</sup> , that the profit margins on goods supplied to the SAPS by this entity were not competitive as indicated in the company profile of this entity.	<b>A65</b>
14.121	I have also determined from the document properties that the company profile of Kaseev Traders was created by Panday and last saved by Seevesh. Based on this document, it would be reasonable to conclude that Panday was responsible for creating this document.	<b>A65</b>

<sup>1</sup> Refer to paragraphs 16.000 to 16.040.]

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**Gift to Captain Narainpershad**

- 14.122 I have identified an email contained on the computer image 023 seized from the premises of Thoshan Office, Suit 303, The Quarts, 45 Zenith Road, Umhlanga Ridge dated 12 February 2010 with the subject “RE: guest”. **A66|1**
- 14.123 This email is from Panday to [sales2@karridene.co.za](mailto:sales2@karridene.co.za) where Panday has indicated to them on the same date the following: **A66|1**
- Good morning Brenda Reservation No. 318049. I have my guest arriving on 13/02/2010 and checking out on the 14/02/2010 and it is booked under Mr T Panday could you please make a note that these are the 2 guest that will be coming in Mr and Mrs Narainpershad. And once again please assist them in whatever they require and you can just forward me an account on Monday as this is a gift. Regards Tasleem.”*
- 14.124 Based on the information contained in the aforementioned email, it would be reasonable to conclude that Panday intended to pay for the accommodation for Narainpershad, and his wife, for the period 13 to 14 February 2010 at the Protea Hotel Karridene Beach. **A66|1**
- 14.125 To corroborate my aforementioned conclusion, I examined the supporting documents seized from Panday, and bank statements provided by Nedbank, from which I have identified the following documents relating to Narainpershad’s stay at the Protea Karridene Beach Hotel:
1. Panday’s credit card statement for account number 5898460759074594 dated 20 May 2010 (**Document No. 30265|6**); **A76|1-2**
  2. Fax from Protea Hotel Karridene Beach addressed to Panday relating to confirmation number 318049 for two adults checking in on 13 February 2010 and checking out 14 February 2010 (**Document No. 020698**); **A67**

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- |   |            |
|---|------------|
| 3. Credit card payment authorisation, appears to be signed by Panday, dated 10 February 2010 for Panday for the amount of R1,752.71 relating to reservation number 318049 for credit card number 4901 3682 1745 8069 ( <b>Document No. 20699</b> ) ;                                  | <b>A68</b> |
| 4. Fax from Protea Hotel Karridene Beach addressed to Panday relating to confirmation number 318049 for two adults checking in on 13 February 2010 and checking out 14 February 2010 ( <b>Document No. 020703</b> ); ( <b>Captain Ashwin</b> )  | <b>A69</b> |
| 5. Credit card payment authorisation dated 10 February 2010 for Panday for the amount of R1,752.71 relating to reservation number 318049 for credit card number 4901 3682 1745 8069 ( <b>Document No. 20704</b> )   | <b>A70</b> |
| 6. Protea Hotel Karridene Beach proforma invoice in the amount of R1,752.71 dated 10 February 2010 ( <b>Document No. 20705</b> );   | <b>A71</b> |
| 7. Protea Hotel Karridene Beach Reservation Quote dated 8 February 2010 in the amount of R1,432.71 ( <b>Document No. 20707</b> and <b>20708</b> );  | <b>A72</b> |
| 8. Protea Hotel Karridene Beach Reservation Quote dated 8 February 2010 in the amount of R1,182.71 ( <b>Document No. 20709</b> );   | <b>A73</b> |
| 9. Fax from Protea Hotel Karridene Beach addressed to Panday relating to confirmation number 318049 for two adults checking in on 13 February 2010 and checking out 14 February 2012 ( <b>Document No. 020711</b> ); (SAA Voyager – Premium Credit Resubmitted FNB was declined); and | <b>A74</b> |
| 10. Credit card payment authorisation undated and unsigned for Panday for the amount of R1,752.71 relating to reservation number 318049 for credit card number 4923 0300 0018 6315 ( <b>Document No.20712</b> ).  | <b>A75</b> |

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- 14.126 All the faxes from the Protea Hotel Karridene Beach above are the same with the exception that, in some instances, the credit card number of Panday is different. It would appear that he was attempting to book accommodation for Narainpershad, prior to the SWC, but did not have the cash or credit available in some of his credit cards to make the payment. This opinion is based on the handwritten entry that appears on the Fax from the Protea Hotel Karridene Beach (**Document No. 20711**) which is illustrated in Record 73 below:

## Record 73

S.A.A. Voyager - Premium Credit  
Visa .  
Resubmitted FNB WAS Declined .

**PROTEA HOTEL**  
**KARRIDENE BEACH**  
P.O. Box 20 Illovo Beach

- 14.127 I have also noticed, on one of these faxes from the Protea Hotel Karridene Beach, that at the top of the page, the word "(FAVOUR)" is appended and is illustrated Record 74 below:

## Record 74

(FAVOUR)

**PROTEA HOTEL**  
**KARRIDENE BEACH**  
P.O. Box 20 Illovo Beach

020698

- 14.128 On a second fax from this hotel the word "Captain Ashwin" is also appended at the top of the fax (**Document No. 20703**) which is illustrated in Record 75 below:

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## Record 75

Captain Ashwin

A69



020703

- 14.129 The statement for Panday's credit card (**Document No. 30265** and **30266**) dated 20 May 2012 contains two transactions that were for Protea Hotel Karridene namely:
1. 10 February 2010 in the amount of R1,752.71 (**Document No. 30265**); and
  2. 14 February 2010 in the amount of R1,196.00 (**Document No. 30266**);
- 14.130 Based on the abovementioned two records, it would be reasonable to conclude that Panday has paid at least R1,752.71 in respect of Narainpershad's stay at the Protea Hotel Karridene Beach. It is unclear, at this time, whether the second payment of R1,196 (**Document No. 30266**) was also in respect of Narainpershad.

A76

A76|1

A76|2

A76|1

**Summary of Findings**

- 14.131 I can conclude that on 12 February 2010, a few months prior to the SAPS Submission to the their Bid Adjudication Committee for the urgent appointment of Goldcoast Trading<sup>1</sup> in the amount of R32 million to supply accommodation to police members during the SWC, and without following proper procurement procedures, Panday provided Narainpershad with a gift being a night stay, for him and his wife, at the Protea Hotel Karridene Beach with all expenses paid.

<sup>1</sup> Refer to paragraphs 13.012 to 13.039 where the submission to the Bidding Committee is dated 4 June 2010.

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- 14.132 The cost of this gift is only R1,752.71; however, this indicates that Narainpershad had an improper relationship with Panday from at least February 2010 and was thereafter involved in the adjudication process when orders were allocated to entities linked to Panday.

**Westin Grand Cape Town – Accommodation Madhoe**

- 14.133 I have identified an email, on one of the computer images provided to me for analysis by the SAPS, from Panday ([thoshan.panday@momentum.co.za](mailto:thoshan.panday@momentum.co.za)) to Shameela Abdullah ([Shameela.Abdullah@westincapetown.co.za](mailto:Shameela.Abdullah@westincapetown.co.za)) dated 6 January 2010 at 08:28 AM with the subject “Credit Card Auth form – Madhoe party.” The content of this email reads as follows:

A89

A89|1

*“Good morning and thank you for the fax received.*

A89|1

*I have noted that the credit card details provided starts with the number 2 and not 3 as per all Diners Card, is this correct as the credit details are unclear on the credit card copy.*

*Regards,*

*Shameela”*

- 14.134 This email includes various replying emails, one of which includes an email sent by Panday to Shameela Abdullah on 5 January 2010 at 06:13PM which email reads as follows:

A89|1

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*"Hi Shameela*

**A89|1**

*I have completed the document that you have requested and have faxed it to these numbers 021 4129003 and 021 4129001*

*Please advise receipt of my fax once you have read my mail. It is imperative that we get this right as the stay of my guests is unhinded any further.*

*Thanking you in advance for your co-operation*

*Regards*

*Thoshan Panday"*

14.135 The third and last responding email is an email from Shameela Abdulla addressed to Panday dated 5 January 2010 at 04:19PM which email reads as follows:

**A89|2**

*"Dear Mr Panday,*

**A89|2**

*Once again my sincerest apologies for the inconvenience caused to your guests.*

*Attached please find the credit card auth form for your perusal. May I kindly request that you complete the attached form including a copy of the back and front of the card and also a copy of the ID.*

*Best regards,*

*Shameela"*

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- 14.136 I can conclude from the aforementioned emails that Panday has paid for the accommodation of Madhoe at the Westin Cape Town. I have also examined an affidavit from Shameela Abdullah who confirms therein that the payments were made by Panday and that the rooms were booked for the Madhoe family who checked into the hotel on 5 January 2010 and check out on 10 January 2010.
- 14.137 The aforementioned check in and out dates reconcile to the dates on which Madhoe and his family flew to Cape Town, which trip was also paid for by Panday on his credit card. The details surrounding this trip and the payment thereof are discussed in subsequent paragraphs of my report and therefore, they shall not be repeated<sup>1</sup>. **A82|3-6**
- 14.138 I have also determined from the examination of Panday's Diners Club card for account No. 3613 577321 6 (**Document No. 42977**) that a transaction in the amount of R3,710.95 was processed for the Westin Grand Cape Town on 12 January 2010. Based on this entry, it would be reasonable for me to conclude that Panday paid for Madhoe's accommodation at The Westin Grand in Cape Town for the period 5 to 10 January 2010. **A90**
- 14.139 Shameela Abdullah provided the invoice for the Madhoe family's stay which reflected that the total for the accommodation for the period 5 January 2010 to 10 January 2010 was R14,510.95 which includes the R3,710.95 mentioned in paragraph 14.138 above as well as a cash deposit of R10,800.00 paid on 6 January 2010. **A93|15-16**

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<sup>1</sup> Refer to paragraph 15.032 to 15.041.

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**Summary of Findings**

- 14.140 I can conclude that on 5 January 2010, a few months prior to the SAPS Submission to the Bid Adjudication Committee for the urgent appointment of Goldcoast Trading, in the amount of R32 million to supply accommodation to police members during the SWC, and without following proper procurement procedures, Panday provided Madhoe with a week's accommodation for Madhoe and his family at the Westin Grand Cape Town, with all expenses paid.
- 14.141 The cost of this accommodation is R14,510.95 and as with Narainpershad, indicates that Madhoe had an improper relationship with Panday from at least January 2010 and was thereafter involved in the adjudication process when orders were allocated to entities linked to Panday.



**15.000 BENEFITS OR PAYMENTS MADE TO POLICE PERSONNEL BY PANDAY****Forensic Analysis of Computer Images – SAPS Computers**

15.001 The police also imaged various computers that were located at the SAPS SCM unit which computer images were also subjected to further forensic analysis.

15.002 During the analysis of the aforementioned computers, I identified an email dated 20 November 2009 that was from Madhoe to Panday with the subject "Land Sale: 14 Stepford Road". In this email, Madhoe has requested financial assistance from Panday in the amount of R20,000 as he needed to amend the title deed to his property after completing renovations at the abovementioned address without having building plans approved.

**A77**

15.003 The exact content of this email is detailed hereunder:

**A77**

*Good day Thoshan*

*Please help me with this problem as I have discussed with you this morning. Details are as follows: Address as follows: 14 Stepford Road Sunford 4068 Erf 398 of Sunford Sale Agreement Number 4690 Ref 58/1/6590 ID No. ENS4690.sr Amount of R20,000 for the portion of land as shown on plan SJ4478/2 for 96 square metres*

*Your humble assistance will be appreciated as I have built on the said portion without the plans being approved. The plans cannot be submitted without the title deed being amended, as this is a requirement for submission. I am very sorry to burden you with my issues.*

*Regards Navin Madhoe"*

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15.004	A second email that was sent to Panday on the same day at 02:42PM by Madhoe includes a Sale Agreement between Madhoe and the eThekweni Municipality. I have determined from the examination of this Agreement that the purchases price of R20,520 for the land described as portion 1 of Erf 425 Sunford was payable by Madhoe to the Municipality within 30 days of the date of sale. Included with this attachment is a plan showing land to be alienated at Stepford Road Sunford.	A78 1 A78 2-10
15.005	Based on the aforementioned email that was sent to Panday by Madhoe, I can conclude that Madhoe has requested financial assistance from Panday in the amount of R20,000.	A78 1
15.006	This request was made on 20 November 2009 and just over a month after the KZN Provincial Commissioner's Office submitted an application to the National Commissioner's Office on 8 October 2009 for authority to accommodate police members during the SWC ( <b>Document No 18435/6</b> ) <sup>1</sup> .	A78 1 B34
15.007	In terms of the aforementioned application, Goldcoast Trading were the only supplier who was able to accommodate police members whilst Coastlands allegedly did not respond to the SAPS request. Roshini Naidu, the Executive Director at Coastlands, denied that they had ever been approached to provide quotations by the SAPS for the period covering the SWC and had that been the case then she would have promptly responded thereto as her response time to the police is always quick.	B34 B33
15.008	The abovementioned application to the National Commissioner's Office ( <b>Document No. 18435/6</b> ) also indicates in paragraph 2 that Goldcoast Trading had sourced accommodation at Coastlands which Roshini Naidu has refuted as she had only met Panday in May 2010 and, prior to that date, had no previous dealings with either him or Goldcoast Trading.	B34 B33

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<sup>1</sup> Refer to paragraphs 13.001 to 13.011.



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- 15.009 Hence, it would appear that Madhoe, and or Narainpershad, together with Panday, were already manipulating the tender to award accommodation to Goldcoast Trading as earlier as October 2009 and subsequent thereto, both of these members started receiving and / or requesting “gifts” from Panday.

**Investigations performed by SAPS at eThekweni Municipality**

- 15.010 An email received from Ms Janine Grieves, eThekweni Municipality Legal Services, on 18 February 2013 at 04:51 pm, indicates that an application was received in 2007 to purchase a small portion of Erf 425 Sunford for Mr & Mrs Madhoe. **A79**
- 15.011 She confirmed that a draft sale agreement had been prepared, however no further formalities regarding the purchase of this land had been finalised because the MEC required all proposals for municipal land to receive clearance from the housing unit. **A79**
- 15.012 Ms Grieves indicated the Madhoses was given an opportunity to purchase the land, but despite being sent reminders, failed to confirm his intentions. As a result, the matter has been referred to Legal Services to have their structure built on Municipal land removed. **A79**
- 15.013 Mr Keith Douglas Matthias, the Head: Real Estate Unit of EtheKweni Municipality confirmed Ms Grieves account as mentioned before. He further stated that on 29 October 2009, a contravention notice in terms of the National Building Regulations and Building Standards Act 103 of 1977 was served on Mr and Mrs Madhoe calling upon them to cease all work forthwith and to demolish or submit an application within 30 days from the date of the notice for consideration and approval in respect of the building works on site,
- 15.014 Mr Matthias further stated that in February 2010 Mr and Mrs Madhoe were informed that the market value of the land had increased to R35,000.00, exclusive of VAT. They were requested to signify whether they wished to purchase the land. They have not done so despite numerous reminders.

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- 15.015 Mr Matthias further stated that following a site inspection it appears that Madhoe has encroached upon the municipal site and accordingly the matter has been referred to an official in Legal Services to take appropriate action to have the encroaching structure removed.
- 15.016 Based on the above it appears that Madhoe has not made any payments in respect of the R20,000.00 mentioned in the email he sent to Thoshan Panday mentioned in paragraph 15.003 above.



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**OTHER BENEFITS PAYABLE TO SUPERINTENDENT MADHOE,  
CAPTAIN NARAINPERSHAD, LIEUTENANT GENERAL NGOBENI AND  
MAJOR GENERAL RS PILLAY**

- 15.017 In addition to the discovery of the abovementioned documents, I have also been provided with additional evidence in the form of affidavits taken by the SAPS, which affidavits show that Panday paid additional expenses for either Madhoe or Narainpershad or General Ngobeni as detailed hereunder:

No	Date Paid	Amount Paid (R)	Supplier	Goods Purchased	SAPS Member
1	14/11/2009	6,010.00	Oyster Box Hotel	Accommodation	Madhoe
2	17/12/2009	8,584.00	SA Airways	Flight DBN-CPT	Madhoe
3	05/01/2010	1,535.92	EuropCar	Leased Vehicle	Major General RS Pillay
4	20/01/2010	43,500.00	Varsity College	Tuition Fees	Narainpershad
5	25/02/2010	7,154.00	Game Stores	Trojen Treadmill	Narainpershad
6	08/03/2010	60,000.00	Advocate Cars	Toyota Corolla	Madhoe
7	20/05/2010	1,752.71	Protea Hotel, Karridene	Accommodation	Narainpershad
8	29/05/2010	20,962.00	Royal Palm (Dish Restaurant)	Birthday function	General Ngobeni
9	05/04/2010	7,256.00	Protea Hotel Waterfront, Richards Bay	Accommodation	Narainpershad
10	10/01/2010	14,510.95	The Westin, Cape Town	Accommodation	Madhoe
<b>Total</b>		<b>171,265.58</b>			

A81

A82

A91

A83

A84

A85

A76

A86-A87

A94

A93

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- 15.018 A summary of the evidence obtained in relation to the aforementioned matters are discussed hereunder:

**(i) Oyster Box – R6,010****A81**

- 15.019 An affidavit obtained from Mr Damian Dallos, the Security Manager at The Oyster Box Hotel in Umhlanga, revealed that, according to the Hotel's records, a room was booked and paid for by Panday for the period 14 to 15 November 2009 although the guest registration documents indicated that Madhoe (id 690427 5198 080) appears to have signed the check in form.

**A81**

- 15.020 Mr Dallos provided the following documents from the hotel which are annexed to his affidavit:

**A81**

No	Description of Document	Annexure No	
1.	The Oyster Box Credit Card Authorisation Form dated 13 November 2010 (appears to be signed by Panday) (date appears to have been incorrectly written as 2010 instead of 2009).	DD1	<b>A81 4</b>
2.	Speed Point Merchant Receipt for Preauthorisation for R5,500 dated 14 November 2009.	DD2	<b>A81 5</b>
3.	The Oyster Box Guest Registration form. Arrived 14 November 2009.	DD3	<b>A81 6</b>
4.	The Oyster Box Invoice in favour of "Navin Madhoe" for R6,010	DD4	<b>A81 7-8</b>
5.	Check Detail form from The Oyster Box Hotel and Spa Grill room to the value of R932.	DD5	<b>A81 9</b>
6.	A faded copy of a receipt that purports to be in the amount of R932 dated 14 November 2009.	DD6	<b>A81 10</b>
7.	A receipt for room service in the amount of R150;	DD7	<b>A81 11</b>

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8.	A receipt for the mini bar in room 204 for the amount of R80	DD8	A81 12
9.	Credit card Authorisation for the Oyster Box Hotel dated 13 November 2010 and the speed point merchant receipt for R6,010 dated 15 November 2009.	DD9	A81 13
10.	Credit card sales report.	DD10	A81 13a
11.	Nedbank statement enquiry in respect of the Oyster Box Hotel account reflecting the payment of R6,010.	DD11	A81 14

- 15.021 I shall not repeat the detailed content of Mr Dallos's affidavit in my report but instead shall refer to my observations from the examination of the supporting documents annexed to his affidavit as Annexures DD1 to DD11 as reflected in the abovementioned paragraph. A81|4-14
- 15.022 The Credit Card Authorisation form annexed as Annexure DD1 and DD09 are identical although the second copy includes a copy of the speed point slip for R6,010. A81|4  
A81|13
- 15.023 The credit card authorisation indicates that Panday has authorised the Oyster Box Hotel to debit his credit No. 36135773216801 for the "full amount" of the accommodation and the "Total" amount incurred by Madhoe for sundry services. A81|4  
A81|13
- 15.024 In the space provided for guest name on this document, the author has appended Panday's name thereon although immediately adjacent thereto the words "- Booker Guest: Mr Navin Madhoe" is recorded. I would conclude from the entries that are appended on this document that Panday has booked and paid for the accommodation for Madhoe at the Oyster Box Hotel and has further confirmed with the Hotel that all costs incurred during Madhoe's one night stay would be payable by Panday. A81|4  
(A81|13)

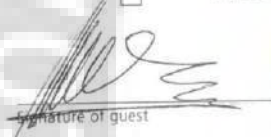
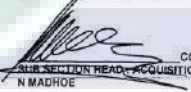
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- 15.025 The guest registration form (annexed as **Annexure DD3**) indicates that Madhoe's arrival and departure date was the 14 and 15 November 2009 respectively. This document further reflects that he was allocated room 204 which cost to Panday was R4,800 a night. **A81|6**
- 15.026 Madhoe has appended his identity number, 690427 5198 080, and signature on this document (Record 76) which signature is similar to that which appears on the other letters (Record 77) that purport to be signed by him as the Sub Section Head of Acquisition Management of the SAPS . An example of these two signatures are illustrated in Record 76 and Record 77 below: **A81|6**
- A9-A31**

Guest Register at Oyster Box Hotel	Submission for Procurement Authority (Document No. 13148)	<b>A81 6 &amp; A30</b>
<p><b>Record 76</b></p> <p><input type="checkbox"/> Express <input type="checkbox"/></p> <p></p> <p>Signature of guest</p> <p>I the above signed, acknowledge</p>	<p><b>Record 77</b></p> <p></p> <p>COLONEL SUB SECTION HEAD, ACQUISITION MANAGEMENT : SAPS : KWAZULU NATAL N MADHOE</p>	

- 15.027 The same signature also appears on the faded copy of a receipt for R932 that is annexed as **Annexure DD6**. This signature is illustrated hereunder in Record 78 below: **A81|6**

**Record 78**



932.00  
N MADHOE  
204

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- |                                       |  |                      |
|---------------------------------------|--|----------------------|
| 15.028                                | I have also determined from the examination of the invoice from the Oyster Box in the amount of R6,010 that the invoice is drawn in favour of Madhoe although someone has appended adjacent thereto “ <i>name change Thoshan Panday.</i> ”   | A81 7-8              |
| 15.029                                | This invoice indicates further that the cost of the accommodation, for one night, was R4,800 whilst the balance of the cost was as a result of dinner and other incidental costs incurred by Madhoe during his stay at this hotel.   | A81 7-8              |
| 15.030                                | I have identified two copies of the abovementioned credit card authorisations in the records seized from Panday ( <b>Document No. 21918</b> and <b>21916</b> ) whilst his Diners Club Invoice ( <b>Document 30621</b> ) confirms that his credit card with account number 3613 577321 6 was credited in the amount of R6,010 on 17 November 2009.  | A81a<br>A81b<br>A81c |
| <b>Summary of findings</b>            |  |                      |
| 15.031                                | Based on the aforementioned observations, it would be reasonable to conclude that Madhoe has received a benefit from Panday just shortly after an application dated 8 October 2009 ( <b>Document No 18435/6</b> ) was submitted to the National Commissioners Office for the authority for accommodation of police members for the SWC <sup>1</sup> . It is also recorded in this letter that only Goldcoast Trading had responded to the request for quotations whilst Coastlands ignored the police's request to provide a quotation (Coastlands refute this statement). |                      |
| <b>(ii) Flight DBN to CPT- R8,584</b> |  |                      |
| 15.032                                | An affidavit obtained from Mr Marche Arnold, the South African Airways Security and Avsec Specialist at King Shaka International Airport, revealed that, according to the records of SAA, that Panday paid for air tickets for Madhoe and his family to fly, return trip, from Durban to Cape Town on 5 and 10 January 2010 respectively.  | A82<br><br>A82       |

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<sup>1</sup> Refer to paragraphs 13.001 to 13.011.



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- 15.033 Mr Arnold provided the following documents from SAA which are annexed to his affidavit:

No	Description of Document	Annexure No
1.	A computer generated print out from the SAA system confirming that reservations were made.	MA1
2.	A copy of a printout from SAA's Finance department reflecting the sale Diners Club Card number, date of purchase, cost per passenger and ticket numbers.	MA2
3.	Evidence that four passengers boarded flight 607 to Cape Town on 5 January 2010	MA3

A82|3

A82|4

A82|5-6

- 15.034 I shall not repeat the detailed content of Mr Arnold's affidavit but instead shall refer to my observations of the supporting documents annexed to this affidavit being **Annexures MA1** to **MA3**.

A82|3-6

- 15.035 The first document provided by Mr Arnold purports to be a reservation booking that contains Madhoe's name in addition to the following:

A82|3

1. Master Prinolin Madhoe;
2. Miss Trishane Madhoe; and
3. Mrs Vijayanthi Madhoe.

- 15.036 I have further determined from the examination of this document that the payment thereof purports to have been made by credit card "CCDC361357xxx6801"; and that the booking was made by Panday as his contact details and email (Thoshan.Panday@momentum.co.za) is appended on this document. The aforementioned credit card number is similar to that of Panday's Diner club card which conclusion is supported by **Annexure MA2** as the complete credit card number, 36135773216801, is appended on this document.

A82|3

A82|4

PwC

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- 15.037 According to Mr Arnold, **Annexure MA2** is a print out from SAA Finance Department which document contains the Diners Club Card No, date of purchase, cost per passenger and ticket numbers. This information is set out below:

A82|4

No	Diners Club Card No	Date of Purchase	Cost per passenger	Ticket No.	Passenger
1.	36135773216801	17/12/2009	1,946.00	0832112403268	Ms Trishane Madhoe
2.	36135773216801	17/12/2009	1,946.00	083211403266	Mr Navin Madhoe
3.	36135773216801	17/12/2009	1,946.00	0832112403267	Mrs Vijayanthi Madhoe
4.	36135773216801	17/12/2009	1,946.00	0832112403269	Master Prinolin Madhoe
<b>Total</b>			<b>7,784.00</b>		

- 15.038 An additional cost of R200 per person is also included in the abovementioned document and therefore, the aggregate cost to Panday for Madhoe and his family's flight was R8,584 (R7,784 + R800).

A82|4

- 15.039 I have also examined Panday's Diners Club statements for his account No. 3613 577321 6 dated 15 January 2010 (**Document No. 30624**) and can confirm that the aforementioned amounts reflected in **Annexure MA2** of Mr Arnold's affidavit were debited against Panday's credit card account. The entries on this statement also make reference to Madhoe and his family members. An extract of these entries is illustrated in Record 79 below:

A82a

A82|4

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## Record 79

MR T PANDAY  
P O BOX 3361  
SOMMERSET PARK  
UMHLANGA ROCKS  
4320

030624

030625

IF YOU HAVE ANY QUERIES REGARDING  
THIS ACCOUNT PLEASE PHONE OUR  
MEMBER SERVICES DEPARTMENT  
ON (011) 258-8400

TELEPHONE: 011 258-8400  
CABLES: "DINWCLUB"  
FAX: (011) 482-6993  
P.O. BOX 590  
AUCKLAND PARK, 2006  
35 SYMONS ROAD  
AUCKLAND PARK, 2092  
REG. NO.: 1956/000088/07  
VAT NO.: 4780108975 (RSA)  
TAX INVOICE  
custserv@dinwclub.co.za

ACCOUNT NUMBER: 3613 577321 6  
INVOICE DATE: 15/01/2010  
INVOICE DUE DATE: 15/01/2010

PAGE: 1

TRANS DATE	DATE RECD	REF NUMBER	DESCRIPTION OF TRANSACTION	AMOUNT	TOTAL
			CLOSING BALANCE ON YOUR LAST INVOICE DATED 15/12/09		77185.47
			PAID BY DEBIT ORDER ON 15/12/09 - THANK YOU		77185.47CR
			PAYMENT RECEIVED - THANK YOU		112869.33CR
			INTEREST - TRAV CHEQUES		200.43
			<b>MR T PANDAY (801)</b>		
1712	1812		HIRSCH ELECTRICAL LA LUCIA	19600.00	
1712	1812		SAA DURBAN AIRPORT	200.00	
1712	1812		SAA DURBAN AIRPORT	200.00	
1712	1812		SAA DURBAN AIRPORT	200.00	
1712	1812		SAA DURBAN AIRPORT	1946.00	
1712	1812		SAA DURBAN AIRPORT	1946.00	
1712	1812		SAA DURBAN AIRPORT	1946.00	
1712	1812		SAA DURBAN AIRPORT	1946.00	
1712	1812		SAA DURBAN AIRPORT	200.00	
1712	1812		SAA DURBAN AIRPORT	9647.00	

A82a

15.040

I have been provided with an affidavit obtained from Colonel Thokgele Bizzah Masemola from Section Personnel Placement and Records Management. Annexed to his affidavit is documentation that confirms the following:

A95

- Madhoe is married to Vijayanthy Madhoe;
- He has two (2) sons: Trishane Madhoe (Date of Birth 24 March 1991) and Prinolin Madhoe (Date of Birth 14 October 1994); and
- He was on leave from 04 January 2010 to 15 January 2010.

A95|6

A95|8-9 &amp;

A95|4

A95|5

PwC

24 November 2014

**Summary of Findings**

- 15.041 I can conclude from the examination of the above mentioned documents that, Panday has paid the costs for Madhoe and his family to fly, return trip, from Durban to Cape Town, which means that Madhoe received a benefit in the amount of R8,584. This benefit was received just shortly after the submission was made to the National Commissioner's Office on 8 October 2009 to obtain authority for accommodation of police members during the SWC where this application indicates that the only supplier who was able to accommodate police personnel was Goldcoast Trading.

**(iii) Varsity College – R43,500**

A83

- 15.042 An affidavit obtained from Ms Cheryl Baxter, the Vice Principal of Varsity College Durban North Campus, revealed that, according to the records of Varsity College, the fees of one of their students known as Mr Nirvash Narainpershad (id 911212 5276 083) was paid by Panday.

A83

- 15.043 Ms Baxter annexed the following documents to her affidavit in support of the transaction between Varsity College and Panday or Mr Nirvash Narainpershad as detailed hereunder:

No	Description of Document	Annexure No
1.	A print out of the student records for Mr Nirvash Narainpershad – Student No. 31-24504.	CB1
2.	Receipt No.137407 in the amount of R43,500 from Varsity College.	CB2

A83|3

A83|4

- 15.044 I shall not repeat the detailed content of Ms Baxter's affidavit but shall instead comment on the documents annexed to her affidavit as per **Annexure CB1** and **CB2** hereunder.

A83|3-4

PwC

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15.045 I have determined from the document annexed as **Annexure CB1** to Ms Baxter's affidavit that this document indicates that Varsity College has a student registered by the name of Mr Nirvash Narainpershad, with id No. 911212 5276 083, whose residential address is reflected as 12 Gokal Road, Effingham Heights. This document also indicates that Mr A Narainpershad, with identity number 670622 5190 087, is the father of the student and who also resides at the aforementioned abode. Based on the aforementioned document, it would be reasonable to conclude that the student registered at Varsity College is Narainpershad's son.

A83|3

15.046 The receipt annexed as **Annexure CB2** to Ms Baxter's affidavit indicates that the R43,500 receipted against Narainpershad son's student account on 20 January 2010 was received from Panday and the method of payment is recorded as credit card. An extract of this receipt is illustrated in Record 80 below:

A83|4

## Record 80

**DURBAN NORTH** Receipt number: **N0 137407**

Student number: **31-24504** Date: **20/01/10**

Student name: **Nirvash Narainpershad**

Received from: **Mr. T. Panday**

Detail of payment: **Full settlement 2010**

Amount: **fourty three thousand five hundred and only** **R 43 500 --00**

With thanks: **(Signature)**

Cash ☐ Cheque ☐ Postal order ☐ Other ☒ **C/C**

**THE INDEPENDENT INSTITUTE OF EDUCATION** Varsity College, a trading division of The Independent Institute of Education (Pty) Limited, is registered with the Department of Education as a private higher education institution under the Higher Education Act, 1997. Registration Certificate no. 00H808

A83|4

PwC



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- 15.047 I have also examined Panday's Diners Club statements for his account No. 3613 577321 6 dated 15 February 2010 (**Document No. 30627**) and can confirm that the aforementioned amount of R43,500 reflected in **Annexure CB2** or Record 80 above was debited against Panday's credit card account. An extract of this entry is illustrated in Record 81 below:

A83a

A83|4

## Record 81

MR T PANDAY  
P O BOX 3361  
SOMMERSET PARK  
UMHLANGA ROCKS  
4320

**030627**

FAX (011) 482-6993  
P O BOX 590  
AUCKLAND PARK, 2006  
35 SYMONS ROAD  
AUCKLAND PARK, 2092  
REG NO: 1956/000068/07  
VAT NO: 4780108975 (RSA)  
TAX INVOICE  
custserv@dncc.co.za

IF YOU HAVE ANY QUERIES REGARDING  
THIS ACCOUNT PLEASE PHONE OUR  
MEMBER SERVICES DEPARTMENT  
ON (011) 358-8400

ACCOUNT NUMBER: **3613 577321 6**  
INVOICE DATE: **15/02/2010**  
INVOICE DUE DATE: **15/02/2010**

PAGE: 1

TRANS DATE	DATE RECD	REF NUMBER	DESCRIPTION OF TRANSACTION	AMOUNT	TOTAL
			CLOSING BALANCE ON YOUR LAST INVOICE DATED 15/01/10		2971.63
			PAID BY DEBIT ORDER ON 15/01/10 - THANK YOU		2971.63CR
	1502		PAYMENT RECEIVED - THANK YOU		3000.00CR
	0402		PAYMENT REVERSED(PAYMENT STOPPED)		2971.63
2001	2201		MR T PANDAY (801) VARSITY COLLEGE DURBAN 766357 00097 ADVTECH EDUCATION DU	43500.00	
2501	2601		HIRSCH ELECTRICAL LA LUCIA EDC* S*00933-012 HIRSCH	10098.99	

A83a

- 15.048 I have been provided with an affidavit obtained from Colonel Thokgele Bizzah Masemola from Section Personnel Placement and Records Management. Annexed to his affidavit is documentation that confirms the following:

A95

- i) Nirvash Narainpershad (Identity Number 911212 5276 08 3) is Aswin Narainpershad's son

A95|21

**Summary of Findings**

- 15.049 I can conclude from the examination of the above mentioned documents that Panday has, on 22 January 2010, paid the Varsity fees for Narainpershad's son in the amount of R43,500. This payment was made just shortly after the submission was made to the National Commissioner's Office on 8 October 2009 to obtain authority for accommodation of police personnel during the SWC and where it was recorded that the only supplier who was able to accommodate police personnel was Goldcoast Trading.

PwC

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- 15.050 In this specific instance, Narainpershad was also responsible for requesting quotations from suppliers, one of which was Coastlands who allegedly did not respond. However, Coastlands have denied that they were ever contacted in this regard and they have indicated that when Narainpershad provided the final numbers to them for accommodation, just prior to the SWC, they were far less than what they had quoted. Narainpershad was approached about the concerns that they had but he indicated that he had divided the numbers between the three suppliers. I can conclude the numbers were never divided equally; in fact, Goldcoast Trading was allocated 1030 members (80%) at a cost of R32,810,000 and Coastlands 200 members (16%) at a cost of R1,827,500<sup>1</sup>. Even when Panday approached Coastlands for assistance during the SWC, he allegedly indicated to them that he had been mandated by Head Office and asked them to reduce their rate per night as he was not making much of a profit. This is untrue as he was billing the SAPS at a rate of R850 per person per night.

**(iv) Game Stores – R7,154**

A84

- 15.051 An affidavit obtained from Mr Nickesh Maharaj, a salesman at Game Stores, revealed that, Panday approached him one day at the Store and purchased a Trojan Treadmill at a cost of R7,154 inclusive of delivery.
- 15.052 Mr Maharaj annexed the following documents to his affidavit in support of the transaction between Game Stores and Panday as detailed hereunder:

A84

No	Description of Document	Annexure No
1.	Game Tax Invoice No 2611641.	NM1
2.	Speed Point slip dated 25 February 2010 in the amount of R7,154.	NM2
3.	Confirmation of SMS to 0834770718 confirming delivery.	NM3

A84|4

A84|5

A84|6

<sup>1</sup> Refer to paragraphs 13.016 to 13.021.



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- |                                   |  |                    |
|-----------------------------------|--|--------------------|
| 15.053                            | I have examined the abovementioned documents annexed to Mr Maharaj's affidavit and can confirm that a Trojan Treadmill was purchased in the amount of R7,154. <b><u>Annexure NM3</u></b> , the proof of a sms, indicates that the customer to this transaction is Panday (Mr T Panday) whose delivery address is 12 Gokal Road Effingham Durban. This is the same address provided for Narainpershad's son on the Varsity College records as discussed in preceding paragraphs of this report <sup>1</sup> .   | A84 6<br><br>A83 3 |
| 15.054                            | I have also examined Panday's SAA Premium Credit card account statement for the period 20 May 2010 ( <b>Document No. 30266</b> ) from which I have determined that, on 25 February 2010, the amount of R7,154 was debited to his credit card account.  | A84a               |
| 15.055                            | An additional affidavit was obtained from Mr Bhekitamba Enock Hlekwane, a Distribution Manager at Game Stores, who annexed to his affidavit a drivers control sheet No. 796288 as <b><u>Annexure BEK1</u></b> . According to this document, the Trojan Treadmill was delivered to 12 Gokal Road on 26 February 2010 and the signature appended thereon appears to represent the name Narainpershad whilst the name of the customer on this document is recorded as Mr "T Panday."  | A88<br><br>A88 1   |
| <b><i>Summary of Findings</i></b> |  |                    |
| 15.056                            | I can conclude from the examination of the above mentioned documents that Panday has purchased a Trojan Treadmill in the amount of R7,154 on his credit card which was delivered to the residential address of Narainpershad on 26 February 2010. This purchase was made subsequent to the SAPS application to the National Commissioner's Office on 8 October 2009 to obtain authority for accommodation of police members where it is recorded that the only supplier who was able to accommodate police personnel was Goldcoast Trading. This purchase was also made prior to the appointment of Panday's related entities for a number of orders before the SWC. |                    |

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<sup>1</sup> Refer to paragraph 15.045.

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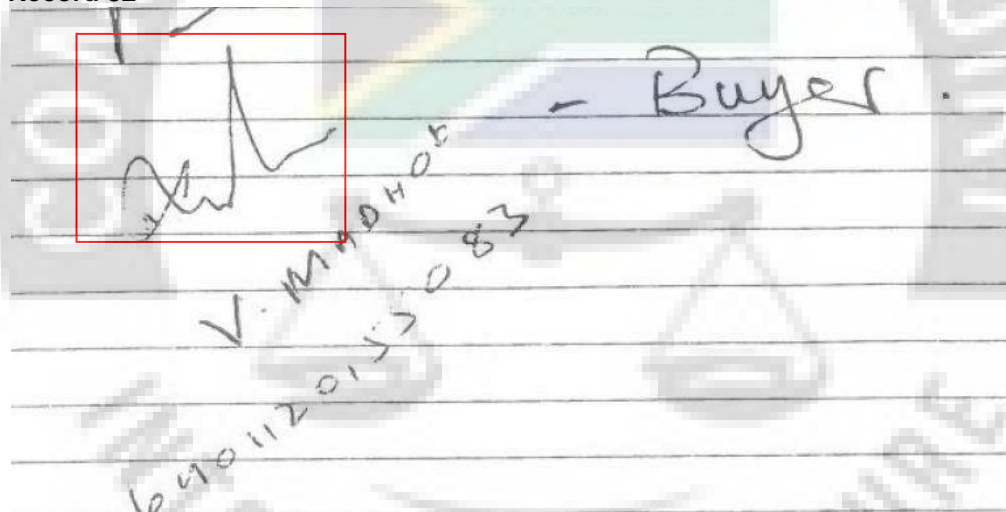
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**(v) Toyota Corolla – R60,000****A85**

15.057 An affidavit from Mr Justin Naidoo, A Director of Advocate Cars CC, alleged that Panday purchased a Toyota Corolla from Advocate Cars CC on 8 March 2010 on behalf of Mr T Madhoe. **A85**

15.058 Annexed to Mr Naidoo's affidavit is a document marked as **Annexure JN1** being tax invoice No. 313 from Advocate Cars dated 9 March 2010 in favour of T Madhoe of Stepford Place Sunford. According to this invoice, a 2002 Toyota Corolla 160i was sold for cash in the amount of R60,000 to T Madhoe. This invoice further indicates that the buyer is V Madhoe with Identity number 690112 0155 083 who also appended a signature to the invoice. A copy of V Madhoe's signature, is illustrated in Record 82 below: **A85|3**

**Record 82****A85|3**


15.059 I have also concluded from the examination of Mr Naidoo's affidavit that he alleges that he received a phone call from Panday on 8 March 2010 in response to an advertisement that he placed in the newspaper for the sale of a Toyota Corolla. Panday requested to view the vehicle in question and Mr Naidoo drove the vehicle that was being advertised to 14 Blenheim Road, Umhlanga Ridge where Panday examined it, and agreed to purchase it for R60,000 subject to licensing and registration. **A85**

PwC

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- |        |  |              |
|--------|--|--------------|
| 15.060 | Mr Naidoo alleges further in his affidavit that, the following day, 9 March 2010, Panday provided him with a copy of the identity document of Mr T Madhoe and requested that the vehicle be registered in his name, as it was a gift from Panday.  | <b>A85</b>   |
| 15.061 | Mr Naidoo has also indicated that Panday made payment for this vehicle by means of a cheque drawn on an ABSA Bank account in his name which cheque was drawn in favour of Justin Naidoo. He however, does not confirm the exact details of the cheque or into which account it was paid or the amount of the cheque.   | <b>A85</b>   |
| 15.062 | I have reviewed the ABSA Bank statements for Panday's account with number 40-5844-8969 for the period 8 March 2010 to 7 April 2010 ( <b>Document No 32840</b> ) and have identified that two cheques were drawn on his account on 9 March 2010 namely: <ol style="list-style-type: none"> <li>1. Cheque 701 – R8,000; and</li> <li>2. Cheque 702 – R55,000.</li> </ol> | <b>A85a</b>  |
| 15.063 | The aggregate sum of these two cheques is R63,000 being R3,000 more than the sale of the vehicle but these are the only cheques that were drawn against Panday's ABSA Bank account at the time of the purchase of the Toyota Corolla .   | <b>A85a</b>  |
| 15.064 | The documentation annexed to Colonel Masemola's affidavit further confirms that Madhoe's wife, Vijayanthy Madhoe's identity number is 6901120155083. This is the identity number reflected on invoice from Advocate Cars CC discussed in paragraph 15.058 above.   | <b>A95 6</b> |

PwC

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**Summary of Findings**

- 15.065 I can conclude from the examination of the above mentioned documents that Panday has purchased a 2002 Toyota Corolla in the amount of R60,000 for Mr T Madhoe on 8 March 2010. This purchase was made subsequent to the SAPS application to the National Commissioner's Office on 8 October 2009 to obtain authority for accommodation of police members during the SWC where it is recorded that only supplier was able to accommodate police personnel namely Goldcoast Trading. In addition, this purchase was also made prior to the appointment of Panday's related entities for a number of orders before the SWC specifically the final order (**Order No 333657**) issued to Goldcoast Trading in the amount of R26,320,250 dated 10 June 2010.

**(vi) Royal Palm – Dish Restaurant – R18,712**

A86

- 15.066 An affidavit obtained from Mr Freddy Singh, the Operations Manager at the Dish Restaurant at the Royal Palm Hotel in Umhlanga, revealed that Panday had paid for the costs of a private function in the amount of R18,712.

A86

- 15.067 Mr Singh provided the following documents from the restaurant which are annexed to his affidavit as follows:

No	Description of Document	Annexure No
1.	Daily Cash up Sheet dated 26 May 2010.	FS1
2.	Standard Bank deposit slip in the amount of R10,000 dated 27 May 2010	FS2
3.	Itemised billing of purchases at function	FS3
4.	Speed point slip in the amount of R8,712 dated 1 June 2010	FS4
5.	Account statement for invoice No. 271 dated 20 September 2010	FS5

A86|4

A86|5

A86|6-8

A86|9

A86|10

PwC

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6.	Tax Invoice No. 16022010 dated 30 May 2010 for Mrs BM Ngobeni of 6 Palm Boulevard in the amount of R29,712	FS6	A86 11
15.068	Mr Singh has alleged that Panday approached him towards the end of May 2010 to enquire about booking a private function on 29 May 2010. Subsequent to providing a quotation, Panday provided Mr Singh with a R10,000 cash deposit which was banked by Mr Singh into their Standard Bank account on 27 May 2010 ( <b>Annexure FS2</b> ).		A86 5
15.069	Mr Singh is unable to confirm for whom the function was in aid of. He only established that Panday would not be attending the function when he called him on the day of the function, just shortly before the guests started to arrive. It was only when guests started to arrive did he establish that the function was for a “Brigadier” in the police but he still was unable to confirm with certainty for whom the function was in aid of.		
15.070	The documents annexed to Mr Singh’s affidavit included a speed point slip in the amount of R8,712 dated 1 June 2010 ( <b>Annexure FS4</b> ) which was the balance of money payable after this function. I have examined Panday’s bank statement for his Diners Club account number 3613 577321 6 dated 15 June 2010 ( <b>Document No. 30634</b> ) and have determined that his account was debited in the amount of R8,712 on 6 June 2010. This transaction is illustrated in Record 83 below:		A86 9 A86a

PwC

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## Record 83

MR T PANDAY P O BOX 3361 SOMMERSET PARK UMHLANGA ROCKS 4320		CABLES *DINCLUB* FAX (011) 462-6993 P.O. BOX 590 AUCKLAND PARK, 2008 35 SYMONS ROAD AUCKLAND PARK, 2092 REG. NO. 1956/000068/07 VAT NO. 4780108975 (RSA) TAX INVOICE custserv@dinersclub.co.za	
IF YOU HAVE ANY QUERIES REGARDING THIS ACCOUNT PLEASE PHONE OUR MEMBER SERVICES DEPARTMENT ON (011) 358-8400		ACCOUNT NUMBER: 3613 577321 6 INVOICE DATE: 15/06/2010 INVOICE DUE DATE: 15/06/2010	
TRANSACTION		PAGE: 1	
TRANS DATE	REF NUMBER	DESCRIPTION OF TRANSACTION	AMOUNT TOTAL
		CLOSING BALANCE ON YOUR LAST INVOICE DATED 15/05/10	75270.67
		PAID BY DEBIT ORDER ON 15/05/10 - THANK YOU	75270.67CR
MR T PANDAY (801)			
2305	2505	1 TIME AIRLINE ISANDU	818.00
		EDC* S*00654-015 1 TIME JIA	
2805	2705	DENKIT HOBBIES 2 CC DBN NR	2032.90
		76496324772 DENKIT HOBBIES 2 CC	
2705	3105	KENNEDYS MUTTON MARKET SYD	883.05
		EDC* S*00956-003 KENNEDY MUTTON MARKE	
0306	0306	DISH UMHLANGA RIDGE	8712.00
		00812580031060015933 0063500000095585600	
0506	0706	SAME DISC GATEWAY 49	143.40
		922658 00156 GAME GATEWAY 49	

- 15.071 The account statement with invoice number 271 dated 20 September 2010<sup>1</sup> (**Annexure FS5**) reflects that the account was settled in full whilst the total charges incurred by Panday for this function, in aggregate, cost him R18,712<sup>2</sup>. **A86|10**
- 15.072 I have also identified amongst Panday's records two receipts from the Dish Restaurant dated 29 and 30 May 2010 (**Document No. 21961**) in the amount of R2,290 and R16,422 respectively. These amounts agree with the amounts stated on the abovementioned statement of account (**Annexure FS5**) annexed to Mr Singh's affidavit. **A86b**
- 15.073 The final document annexed to Mr Singh's affidavit is a tax invoice No. 16022010 in the amount of R29,712 dated 30 May 2010 (**Annexure FS6**) which invoice is prepared in favour of Mrs BM Ngoben. None of the amounts detailed on this invoice correlate to the financial payments made by Panday to the Dish Restaurant whilst I have determined from Mr Singh's affidavit that it was Panday who requested him to inflate the invoice amounts detailed in this document and to include the name of Mrs BM Ngoben in the addressee of this invoice. The information contained in this invoice is illustrated in Record 84 below: **A86|11**

<sup>1</sup> It appears that this document is dated 2 days prior to the date on which Mr Singh made his affidavit and based thereon, I would conclude that the statement has been dated the date that it was printed for the police.

<sup>2</sup> R16,422 + R2,290.



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## Record 84

Dish Restaurant  
1st Floor Royal Palm Hotel  
6 Palm Boulevard  
New Town Center  
Umhlanga Ridge

Invoice No. 16022010  
Customize...

**TAX INVOICE**

**Customer**  
Name: Mrs BM Ngobeni  
Address: 6 Palm Boulevard, New Town Center  
City: Umhlanga  
Phone: 031 581 8000

Inv Date: May 30, 2010  
Func Date: 30/05/2010  
JOB NO.: Mr Panday  
CONTACT: Freddy Singh

Qty	Description	Unit Price	TOTAL
40	Dinner Buffett	R 470.00	R 18,800.00
1	Beverages	R 8,312.00	R 8,312.00
4	Gold Overlays	R 50.00	R 200.00
40	Gold Chair Covers	R 15.00	R 600.00
4	Flower Bouquet	R 200.00	R 800.00
1	Gratuity	R 1,000.00	R 1,000.00

A86|11

15.074 An affidavit obtained from Mr Narendra Maharajh, the owner of Discotheque Trading as Zindex Productions, revealed that Panday had paid him R2,250 in order for him to entertain people at the function held on 29 May 2010 at the Royal Palm Hotel Umhlanga Ridge.

A87

15.075 Mr Maharajh annexed to his affidavit an Nedbank Payment Confirmation in the amount of R2,250 dated 15 June 2010 which payment purports to have been paid by Goldcoast Trading (**Annexure NM1**). I have examined Goldcoast Trading's Nedbank statements for account number 1442016728, statement number 69, (**Document No. 39626**) and can verify that the amount disclosed in the Nedbank payment confirmation was paid from Goldcoast Trading's account to Mr Maharaj on 15 June 2010. This transaction is illustrated in Record 85 below:

A87|3

A87a



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## Record 85

2 13 - 02 - 26

To	GOLDCOAST TRADING CC					
	PO BOX 25538					
	GATEWAY					
	UMHLANGA ROCKS					
	04321					
Account Number	1442016728	Date	2011/09/13	Time	11:12:03	
Statement Number	69					
Date	Description	Charge	Debit	Credit	Balance	Branch
9 Jun 2010	BROUGHT FORWARD BALANCE				2,419,508.59	
9 Jun 2010	T Panday	.	-7,000.00		2,412,508.59	0960
9 Jun 2010	Hluhluwe Hotel & Safaris	.	-3,780.00		2,408,728.59	0960
10 Jun 2010	MONDAZUR REFUND			20,750.00	2,429,478.59	0960
10 Jun 2010	CHEQUE 00000124 C00000124 CASHED	32.25	-50,000.00		2,379,478.59	0353
10 Jun 2010	CHEQUE 00000125 C00000125 CASHED	32.25	-50,000.00		2,329,478.59	0899
10 Jun 2010	CHEQUE 00000122 C00000122 CASHED	25.65	-1,100.00		2,328,378.59	0356
10 Jun 2010	Royal Hotel	.	-280,000.00		2,048,378.59	0960
10 Jun 2010	Allawill Investments (pty) Ltd	.	-150,000.00		1,898,378.59	0960
10 Jun 2010	Wheco Group	.	-10,659.00		1,887,719.59	0960
10 Jun 2010	CHARGE CHQ 00000122 CASHED	.	-21.00		1,887,698.59	0442
10 Jun 2010	CHARGE CHQ 00000124 CASHED	.	-225.00		1,887,473.59	0442
10 Jun 2010	CHARGE CHQ 00000125 CASHED	.	-225.00		1,887,248.59	0442
11 Jun 2010	CHEQUE 00000126 KARIM ZE	32.25	-71,400.00		1,815,848.59	0999
12 Jun 2010	CHEQUE 00000121	32.25	-1,500.00		1,814,348.59	0999
15 Jun 2010	T Panday (Absa )	.	-100,000.00		1,714,348.59	0960
15 Jun 2010	T Panday (std bank)	.	-100,000.00		1,614,348.59	0960
15 Jun 2010	Emcebokazulu Lodge	.	-26,880.00		1,587,468.59	0960
15 Jun 2010	N Maharajh	.	-2,250.00		1,585,218.59	0960
15 Jun 2010	Sibusiso Xoseka	.	-250.00		1,584,968.59	0960
15 Jun 2010	FSB	.	-37.90		1,584,930.69	0960
	CARRIED FORWARD BALANCE				1,584,930.69	

A87a

- 15.076 According to the content of this affidavit, Mr Maharajh has alleged that he was introduced to Lieutenant General Ngobeni (the KZN Provincial Commissioner) and her husband Brigadier Ngobeni at this function. He has also annexed to his affidavit photographs that he took of the aforementioned people as **Annexures NM3** and **NM2** respectively.

A87|4-6

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- 15.077 I have perused the affidavit obtained from Laurence Charles Kemp (**Brigadier Kemp**), a Brigadier in the SAPS and the Head of Provincial Financial Services in KwaZulu-Natal, and can confirm from the content thereof that this investigation commenced because of the observations he made regarding the increased financial expenditure with the relevant budget allocations in 2010 that were assigned to the Province of KwaZulu-Natal. Based on the aforementioned observations made by Brigadier Kemp, the criminal investigations into Panday and his related companies were convened by police investigators and management.
- 15.078 However, on Wednesday 5 May 2010 at approximately 08:30 he received a phone call from Lieutenant General Ngobeni, the Provincial Commissioner of KwaZulu-Natal, who allegedly instructed Brigadier Kemp to stop the investigations into the procurement procedures and detachment duties and that he should notify the late Deputy Commissioner Ntanjana and Deputy Commissioner Booysen of this instruction.
- 15.079 On Saturday, 8 May 2010 at 17:00, Brigadier Kemp allegedly received another telephone call from Lieutenant General Ngobeni who made some enquiries with him concerning the increased detachment expenditure and the procurement processes relating thereto. It is alleged in his affidavit that he related his concerns regarding the abnormal charges of these detachment duties to her and indicated that if the current expenditure continued it would negatively affect the Provincial budget. The telephonic conversation was concluded by Lieutenant General Ngobeni indicating that they would discuss it further in her office on 10 May 2010.
- 15.080 Brigadier Kemp allegedly received an instruction to call at Lieutenant General Ngobeni's office on Monday morning at 08:30 on 10 May 2010 and, upon complying with this instruction, he determined that the three Deputy Commissioners being Masemola, Ntanjana and Booysen were present in her office together with Madhoe.

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- 15.081 It was at this meeting that Madhoe was asked to explain the procurement procedures that were being followed however, before he could commence with the detailed content therewith, Lieutenant General Ngobeni interrupted him and requested Brigadier Kemp to highlight the details of his report relating to the expenditure for detachment duties.
- 15.082 During the feedback provided by Brigadier Kemp, he referred to a letter that had been received from Head Office that was addressed to Lieutenant General Ngobeni and himself which letter requested the Province to supply Head Office with certain information. Brigadier Kemp confirmed with Lieutenant General Ngobeni that he was busy preparing a response to Head Office and upon hearing this she became upset with him and indicated that the direct lines with Head Office should be terminated. Brigadier Kemp describes Lieutenant General Ngobeni's attitude as being aggressive towards him and this became the main issue of their meeting which became unpleasant to such a degree that General Booysen recommended that he and Madhoe be excused so that the Commissioners could discuss the matter further.
- 15.083 It is evident from the dates of the alleged conversations between Brigadier Kemp and Lieutenant General Ngobeni that she had intervened in the investigation of Panday and his related entities shortly before the 50<sup>th</sup> birthday party of her husband was held at Royal Palm Hotel in Umhlanga Rocks on 29 May 2010, where the cost thereof was paid by Panday which in aggregate amounted to R20,962.
- 15.084 The affidavit of Brigadier Kemp is corroborated by the affidavit of General Masemola, who was the former KwaZulu-Natal Deputy Provincial Commissioner, in that he has confirmed that a meeting was convened in Lieutenant General Ngobeni's office in May 2010 where Brigadier Kemp raised the issue that he had discovered that SCM were not acquiring goods/services in accordance with the policy and this was affecting the financial position of the Province.

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- 15.085 Recommendations were allegedly made by Major General Booysen that a criminal case be opened although it was decided that Brigadier Kemp look further into his findings and prepare a report for the committee but Lieutenant General Ngobeni instructed General Ntanjana to conduct an investigation and report to her on his findings.
- 15.086 I have perused the affidavit of Major General Booysen and have set out below relevant extracts thereof which, corroborate the affidavit of Brigadier Kemp, where relevant,:
- 15.087 *“On 28<sup>th</sup> April 2010, Brigadier Kemp approached me during the morning management meeting. Brigadier Kemp is the Provincial Head of Finance in Kwa-Zulu Natal. He expressed his concern regarding suspicious transactions that had gone through his department. I requested him to supply me with something in writing. The following morning he handed an “INFORMATION NOTE” dated 29<sup>th</sup> April 2010 to me, which on face value indicated that there could be irregularities taking place in the Supply Chain Management department at the KZN SAPS Provincial Head Office. On the same day I summoned Brigadier Lategan, who was at the time the Provincial Head of the Commercial Crime Unit, which is a section withing DPCI, to my office. I handed the “INFORMATION NOTE” to him and requested him to initiate an investigation into the matter.*

A99|1-3

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*A few days later while I was on my way home in the afternoon, I received a call from the Provincial Commissioner, Lieutenant General Ngobeni. She asked me "Johan, what is this investigation you busy with?" I asked her which one? To which she replied, "The one for Supply Chain Management". I briefly told her. The Provincial Commissioner however said to me that there were too many things going on in the Province, like the Mountain Rise Police Station, referring to the investigation against management at Mountain Rise SAPS, and that we must stop the investigation. She was referring to the investigation in respect of the suspicious transactions taking place in the Supply Chain Management department at the SAPS Provincial Head Office. I then informed Brigadier Lategan that the Provincial Commissioner had instructed that the investigation is to be stopped.*

*A day or two later, Brigadier Lategan returned the investigation file to me stating that Colonel Soobramoney was not happy. I recall at some stage, Major General Bala Naidoo, who is the Durban Cluster Commander, phoned me to tell me that Colonel Soobramoney was not happy with the Provincial Commissioner stopping the investigation.*

*On the 8<sup>th</sup> May 2010 the Provincial Commissioner phoned me. She asked me why we were continuing with the investigation after she had stopped it. I told her that I had the file in my office and had stopped the investigation as per her instruction. She then asked me, "What is wrong with your people?" to me this meant the investigators under my command. I then phoned Brigadier Lategan and he confirmed that he had instructed Colonel Soobramoney to stop the investigation.*

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*On 10<sup>th</sup> May 2010 when I arrived at the office in the morning I received a call from the Provincial Commissioner's secretary to go and see her. I arrived at her office and went into her private boardroom. Seated in the boardroom was the Provincial Commissioner, Major General Ntanjana and Masemola, Brigadier Kemp from Provincial Finance and Colonel Madhoe from Supply Chain Management.*

*The Provincial Commissioner remonstrated with us in general for being concerned about deployments, yet people are dying and we worry about finances. I was taken aback and sensed that the attention was diverted from the real cause for the investigation. The Provincial Commissioner looked at me and asked for my comments. Since Colonel Madhoe was a possible suspect in this matter I was firstly surprised to see him there and secondly wasn't going to comment with him being present. I told her that I would rather talk to her alone. She then excused Brigadier Kemp and Colonel Madhoe from the meeting, I said to her " We are not querying the deployments, but rather the procurement for the accommodation for the deployments". I also expressed my concern because as I put it to her, everything from blankets, television sets, generators and accommodation were going through the books of Panday from Gold Coast Trading. I also told her that some of the prices were inflated and thus far about fifteen million rand had been paid to Gold Coast Trading by the SAPS. The Provincial Commissioner then told General Ntanjana to investigate the matter. I found this to be odd as he was the Provincial Head of Support and did not have the resources to investigate such a complicated matter. The Provincial Commissioner further told him to finalise his investigation within two weeks.*

*We were then dismissed from her office.*



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*On the 19<sup>th</sup> May 2010 I was at a meeting at Burgers Park Hotel in Pretoria. During a tea break, Deputy National Commissioner, Lieutenant General Dramat, who is the National Head of the DPCI, approached me and enquired from me as to why the investigation into irregularities at KZN Provincial Supply Chain Management had been stopped. I informed him what had happened and suggested that the investigation continue and that perhaps the investigation should continue under Head Office's supervision, I sensed that he had a concern with regards to the KZN Provincial Commissioner's handling of the matter. At some stage the investigation was supervised by Brigadier Nkozi from the office of the Serious Economic Offences Unit.*

*During the last week of May 2010 I received a call from the Provincial Commissioner. She invited me to a surprise party that had been arranged for her husband, Brigadier Ngobeni. The party was to be held on the 29<sup>th</sup> May 2010 at the Royal Palm Hotel in Umhlanga Rocks. She told me that I could invite my friend Vic to the party. I did not attend the party as I already had a previous engagement planned at the Caledon Hotel on the same day.*

*During this period Brigadier Lategan was enquiring from me about the investigation. At this stage I knew that the investigation was ongoing, albeit surreptitiously. I asked him to obtain a progress report from the investigating officers. On the 31<sup>st</sup> May 2010 I was provided with a progress report. This report contained incriminating information. This report named inter alia, Colonel Madhoe, Captain Narainpershad and Thoshan Panday as possible suspects. I took this report to the Provincial Commissioner and Major General Ntanjana. I informed them that I had an obligation to investigate the irregularities at KZN Provincial Supply Chain Management. I showed the report to both the Provincial Commissioner and General Ntanjana. They both asked for a copy of the report. I provided each of them with a copy of the report. Subsequently a copy of this report was found in Colonel Madhoe's vehicle during a search and seizure operation that was conducted on 12<sup>th</sup> August 2010. I mentioned this to the Provincial Commissioner, who brushed my concerns off saying, "Anyone could have given it to him".*

**A101|1-7**

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*On the 12<sup>th</sup> June 2010 I handed the main investigation file back to Brigadier Lategan. I informed the Provincial Commissioner that Lieutenant General Dramat was monitoring the investigation from Head Office.*

*On the 15<sup>th</sup> June 2010, General Ntanjana and I were summoned to the Provincial Commissioner's office. In her office she again told me to stop the investigation. This somewhat confused me as I had told her that the investigation was going on and was being monitored by Head Office. I was then ushered into her boardroom. In her board room, the Provincial Commissioner introduced me to the following people: Advocate Mkhize, attorney Giyapersad and Thoshan Panday. I was shocked, because the Provincial Commissioner was now fully aware that Thoshan Panday was being investigated in respect of the irregularities at KZN Provincial Supply Chain Management. I was then peppered with questions by Giyapersad and Panday. Panday even threatened that he would sue Colonel Soobramoney. I merely listened to them and avoided discussing details of the investigation. They insisted that the investigation be stopped. At this stage the Provincial Commissioner had left the room. They indicated that the Provincial Commissioner had assured them that the investigation would be stopped. The Provincial Commissioner then returned to her board room. They lamented the fact that Colonel Soobramoney was still investigating Panday. They also complained about Colonel Soobramoney. I responded that although the Provincial Commissioner had given instructions for the investigation to be stopped, I could not guarantee that Head Office would do the same. To my surprise the Provincial Commissioner instructed me to investigate Colonel Soobramoney.*

*On 21<sup>st</sup> June 2010 I was again summoned to the Provincial Commissioner's office. I informed the Provincial Commissioner that a criminal docket had been opened. She then said that we could not stand in the way of the investigation. She further said that she would meet with Panday's attorneys.*

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*On 22<sup>nd</sup> June 2010 I was summoned to the Provincial Commissioner's office. This time I was met by Thoshan Panday's attorney, Giyapersad, Advocate Styx Madlala, Advocate Chowdrie (SC) and Major General Ntanjana. Panday's defence team made enquiries regarding the investigation. The Provincial Commissioner indicated to them that a docket had been opened and that she could not stop the investigation.*

*On the 28<sup>th</sup> June 2010 the National Commissioner, General Cele, phoned me. He enquired about the investigation. I briefed him and told him about how I had been pressured to stop the investigation. He instructed me to continue with the investigation and that the investigators should report to me. I suspected that Lieutenant General Dramat had spoken to general Cele since Lieutenant General Dramat phoned me later that day to confirm that I had received a call from General Cele.*

*At one stage I told the Provincial Commissioner that Brigadier Lategan needed a statement from Brigadier Kemp, She would have none of that. I advised her that it would be better to co-operate since it would look bad if we had to serve a Section 205 Subpoena on Brigadier Kemp, who works at her office. I also recall advising her to speak to the National Commissioner about the investigation during one of her visits to Pretoria. She agreed. After the Provincial Commissioner returned from one such visit I asked her if she had spoken to the National Commissioner, to which she replied, "We did not have time". I got the impression however that the Provincial Commissioner remained opposed to the investigation.*

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*During the investigation, Colonel Van Zyl from Support Services in Pietermaritzburg was assisting in the investigation. Colonel Van Zyl could be regarded as an expert in Police procurement and financial matters. Colonel Van Zyl had been co-opted with several other police officers outside of the Directorate of Priority Crime Investigation to assist in various investigations. Unfortunately, no permission had been granted for these members to assist on a full time basis. The Pietermaritzburg Cluster Commander, Major General Maharaj complained to the Provincial Commissioner about this. A decision was taken that these members, including Colonel Van Zyl report back to their posts. I supported the principle of this decision at the time. The investigators in this case however needed Colonel Van Zyl's assistance to continue with the investigation that he started from them. I broached the subject with the Provincial Commissioner, but she was adamant that Colonel Van Zyl will not assist in the investigation. I further recall Major General Moodley mentioning to me that the Provincial Commissioner had tried to find out from him as to what was going on in the investigation.*

*The investigation continued at a slow pace as we awaited the appointment of forensic auditors from SAPS Head Office.*

*On 25<sup>th</sup> August 2011, while at a restaurant in the Bluff I received a call from the Provincial Commissioner. She asked me if I was alone. I responded that I was having supper with friends. She asked me to step aside to one side, which I did. She sounded concerned. She said to me "Johan someone told me that Panday had made a statement against me". I told her that that was nonsense. She asked me if I was sure. I assured her that there was no such statement.*

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*I recall on an occasion, I bumped into Brigadier Kemp in Amanzimtoti. I cannot remember the date. Brigadier Kemp told me that when the investigation was in its initial stages, he had received a phone call from the Provincial Commissioner. Brigadier Kemp told me that she had told him to contact me and tell me to stop the investigation. He said that he was not able to get hold of me. He further expressed his apprehension in that he is merely a Brigadier and felt that he could not give me an instruction even though it came from the Provincial Commissioner”.*

- |        |   |          |
|--------|---|----------|
| 15.088 | I further perused the affidavit of Colonel Yogavelli Moodley, a Colonel in the SAPS employed as the Section Head: Budget and Monitoring, Financial and Administration Services.   | A99      |
| 15.089 | Colonel Moodley provided a copy of the Information Note written by Brigadier Kemp and dated 28 April 2010 with the subject line “EXPENDITURE INCURRED IN TERMS OF DETACHMENTS”. This information note was marked for the attention of Lieutenant General Ngobeni, Major General Masemola, Major General Ntanjana and Major General Booysen and outlines that for four (4) travel and subsistence items the total cost was R11,194,000 which is 12.91% of the total expenditure for the budget category Goods and Services for the month April 2010. In all four (4) instances the supplier was Goldcoast Trading. | A99 1-3  |
| 15.090 | Further to the above, she provided a copy of a schedule marked “Deployment Schedules Already Paid” which reflected deployments paid to Goldcoast Trading in the amount of R12,809,733.00.   | A99 4-12 |
| 15.091 | On 5 May 2010 she made copies of the payment schedules which contained invoices, order forms and covering schedules which cover the supplier’s details and the approved signatures one (1) from SCM and two (2) from the finance office. These schedules were handed to Colonel Soobramoney.  |          |

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- 15.092 Colonel Moodley confirmed that she was in the company of Brigadier Kemp on 5 May 2010 when he had received a call from Lieutenant General Ngobeni where he was instructed to call off the investigation into the procurement process at Provincial SCM.
- 15.093 On 6 May 2010 she received a call from Colonel Soobramoney who informed her that he was requested to hand over all documents as the investigation was closed. Colonel Soobramoney informed her that he was informed by Brigadier Lategan that it was at the instruction of the PC that he must hand back all documents and that the case was closed.
- 15.094 On 3 June 2010 she was summoned to the office of the late Major General Ntanjana. He enquired as to whether she had been assisting anyone with documents pertaining to the investigation of SCM and he informed her that if she was she must stop as it was in her best interest.

***Summary of Findings***

- 15.095 I can conclude from the examination of the above-mentioned documents that Panday has paid the cost of Lieutenant General Ngobeni husband's birthday party that was held at the Royal Palm Hotel in Umhlanga Rocks on 29 May 2010. The cost of this service amounted to R20,962<sup>1</sup>.
- 15.096 Panday also requested Mr Singh to inflate an invoice for this function to the amount of R29,712, and to further prepare the invoice in favour of Mrs BM Ngobeni. I cannot determine on what basis Panday would have requested Mr Singh to have issued him with another invoice at an inflated amount and therefore, cannot conclude why this would have been done. However, I can conclude that this gift or gratification to Lieutenant General Ngobeni was done shortly before the deployments for the SWC and the final order (**Order No 333657**) that was issued to Goldcoast Trading in the amount of R26,320,250 dated 10 June 2010.

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<sup>1</sup> R18,712 + R2,250

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- 15.097 In addition, Lieutenant General Ngobeni was aware from the reports received from Brigadier Kemp that there was an unusually high expenditure for detachment duties in the Province and that the SAPS SCM were not complying with their SCM policy when making these appointments, which reports were received just prior to the date of her husband's 50<sup>th</sup> birthday party. She also appears to have been instrumental in attempting to put a stop to this investigation.

***(vii) Protea Hotel Waterfront, Richards Bay***

- 15.098 An affidavit obtained from Mr Andre de Klerk, the General Manager of the Protea Hotel Waterfront, Richards Bay revealed that Panday had paid for the costs for accommodation for the period 3 April 2010 to 5 April 2010 for a guest with identity number 670622 5190 08 7, which I have determined is the identity number for Narainpershad.

A95|23

- 15.099 Mr de Klerk provided the following documents which are annexed to his affidavit as follows:

A94



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No	Description of Document	Annexure No	
1	Completed and signed registration forms for room 112	ADK1	A94 1
2	Completed and signed registration forms for room 110	ADK2	A94 2
3	Full account for room 110 and 112	ADK3	A94 3-8
4	Expenses incurred during stay	ADK4	A94 9-16
5	Speedpoint machine slip, signed and reflecting card number 36135773216801	ADK5	A94 17
6	Cashier audit documentation reflecting the diners club card number, amount and date of transaction	ADK6	A94 18-19

- 15.100 Based on the above-mentioned documentation two (2) rooms, room 110 and 112 were booked. In terms of the registration forms for each of these rooms were signed by an individual with identity number 670622 5190 08 7, cellphone number 0845002881 and car registration number ND353878. As mentioned above, I have determined that this identity number belongs to Narainpershad
- 15.101 In terms of the invoice provided the total cost of accommodation was R7,256.00. Further to this, the signature reflected on the invoice appears to be that of Narainpershad.
- 15.102 Mr de Klerk stated on departure, 5 April 2010 a Diners credit card in the name of Mr T Panday was used to pay the full amount. It should be noted that the signature reflected on this document appears to be that of Narainpershad.

A94|6

A94|17

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- 15.103 The documents annexed to Colonel Masemola's affidavit confirms that Narainpershad's was on leave from 23 March 2010 to 07 April 2010, which covers the period he was at the Protea Hotel Waterfront, Richards Bay. **A95|22**
- 15.104 **Summary of Findings**
- I can conclude from the examination of the above mentioned documents that Panday paid for the costs for accommodation for Narainpershad at the Protea Hotel Waterfront, Richards Bay during the period 3 April 2010 to 5 April 2010 in the amount of R7,256.00.
- (viii) Europcar – R1,535.92**
- 15.105 An affidavit obtained from Mr Kobus Small, a Risk Investigator employed at Europcar, who annexed various documents thereto, one of which related to the rental of a vehicle from King Shaka International airport by Goldcoast Trading and/or Panday on behalf of Mr R S Pillay.
- 15.106 Annexed to Mr Kobus Small's affidavit are the supporting documents relating to the rental of the abovementioned vehicle for Mr RS Pillay and marked **Annexure KS5**. **A91**
- 15.107 One of the documents that are included with annexure KS5 is a Rental Agreement No. 146524121 which document indicates that a Toyota 4x4 double cab with registration No. ZCX630GP was received by Mr RS Pillay whose drivers licence and identity recorded thereon is 411600000FD1 and. 6208215049084 respectively. This Agreement also contains Mr RS Pillay's cell phone number "0827789716". According to the information contained on this Agreement the vehicle was leased from King Shaka International Airport on 24 June 2010 and that the due date of its return was 26 June 2010. **A91|1**

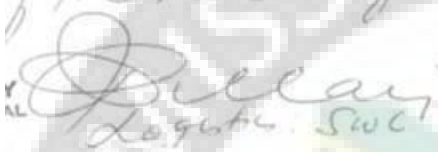
PwC

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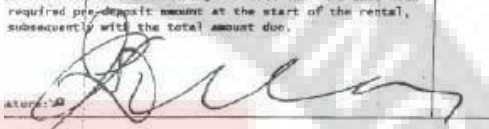
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- 15.108 I have compared the signature of Mr RS Pillay that appears on the  
aforementioned Rental Agreement (Record 87 below) to that of Major  
General RS Pillay that appears on the motivation and certificate to appoint  
Goldcoast Trading on an urgent basis during the SWC (as per Figure 1 -  
Certificate by Major General R S Pillay on page 109 or Record 86 on page  
231) and it appears that the two signatures are similar. **A91|1**  
**&**  
**B47|2**
- 15.109 A comparison of these two signatures is illustrated hereunder:
- Record 86**



**Record 87**


- 15.110 I have also observed from the examination of the “Obtain payments for rental  
agreement 146524121” that the amount R1,535.92 is recorded thereon and  
therefore, I would conclude that this was the cost of this service to Goldcoast  
Trading and/or Panday. **B91|11**
- 15.111 Also included with Annexure KS5 is a copy of what purports to be Mr RS  
Pillay’s driver’s licence although the copy is a poor one and therefore, I am  
unable to corroborate whether the information contained on the drivers  
licence reconciles with the information contained on the Rental Agreement. **A91|2**
- 15.112 The Nedbank Goldcoast Trading statement for account No. 1442016728  
reflects that an amount of R1,535.92 was paid from this account to Europcar  
(**Document No. 39605**) on 4 August 2010. **A92**

**Findings**

- 15.113 I can conclude from the abovementioned examination that Panday has  
purchased goods or services for Madhoe, Narainpershad and Lieutenant  
General Ngobeni, the Provincial Commissioner, which in aggregate amount  
to:

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No	Name	Value of Benefit (R)
1	Madhoe	89,104.95 <sup>1</sup>
2	Narainpershad	59,662.71 <sup>2</sup>
3	Lieutenant General Ngoben	20,962.00 <sup>3</sup>
4	Major General RS Pillay	1,535.92
<b>Total</b>		<b>171,265.58</b>

- 15.114 These benefits were paid between the period 14 November 2009 to 29 May 2010 which is the same period when Madhoe and Narainpershad were busy with the procurement of suppliers for the accommodation of members during the SWC.
- 15.115 On 8 October 2009 an application for accommodation was submitted to the National Commissioners Office where it is recorded that, of the eight suppliers contacted, only three were responsive namely Holiday Inn Garden Court, who did not have accommodation available, Blue Waters Hotel who were fully booked and Goldcoast Trading. One of the suppliers included with these eight suppliers is Coastlands who, according to the application, did not respond to the police's request. An affidavit obtained from Ms Roshini Naidu, the Executive Director at Coastlands, disputed that they were approached by the SAPS to provide a quotation for accommodation of members whilst their turnaround time to the SAPS for such requests was always quick.
- 15.116 The application also indicates that Goldcoast had, *inter alia*, secured accommodation at Coastlands. Ms Roshini Naidu disputes this statement because the first time she met Panday or became aware of Goldcoast Trading was during the month of May 2010, just prior to the SWC.

<sup>1</sup> Oyster Box R6,010 + SA Airways R8,584 + Advocate Cars R60,000 + Westin Grand Cape Town R14,510.95= R89,104.95

<sup>2</sup> Varsity College R43,500 + Game Stores R7,154 + Protea Hotel Karriden R1,752.71+ Protea Hotel Richards Bay R7,256 = R59,662.71

<sup>3</sup> Royal Palm / Dish Restaurant R18,712 + Zindx Productions / Mr Maharaj R2,250 = R20,962

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- 15.117 Ms Roshini Naidu has also alleged that when the final numbers were provided to her for the accommodation of members during the SWC she noticed that these numbers they were significantly lower than what she had initially provided and hence, contacted Narainpershad to complain. She alleged that he informed her that he had divided the accommodation between the three suppliers which is not true as Goldcoast Trading were allocated 1030 members at a cost of R32,810,000 and Coastlands 200 members at a cost of R2,240,000.
- 15.118 During the SWC Coastlands accommodated between 8 and 158 members a day (5,460 members in aggregate) on behalf of Goldcoast Trading at a cost of R1,880,870 which would have been invoiced to the SAPS at R4,641,000 (R850 per person per night). Narainpershad was aware of the vacancies that were available at Coastlands yet never chose to ensure that these cost savings were passed onto the SAPS. In addition, when Panday approached Coastlands for assistance to accommodate SAPS members he informed Ms Roshini Naidu that he was appointed by National and not Provincial office and as a result, requested a further reduction in Coastlands rate per person per night from R400 to R350. (Hence, he was making a profit of R500 per person per night on the 5,460 members accommodated at Coastlands on behalf of Goldcoast Trading.)
- 15.119 Madhoe and Narainpershad, who were involved in the appointment of Panday's related entities for the supply of accommodation for the SWC, facilitated their appointment through various misrepresentations whilst at the same time receiving gratification in the amounts of R89,104.95 and R59,662.71 respectively from either Panday or Goldcoast Trading.

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**16.000 KASEEV TRADERS CC****Introduction**

- 16.001 The polfin records indicate that, between the period 1 June 2010 to 30 July 2010, the SAPS paid into Kaseev Traders FNB account No. 62251113313 in aggregate, R1,552,019.40. A summary of these orders and payments are detailed hereunder:

PwC ID	Order Date	Order No	Date Paid	Date Deposited	Amount (R)	Note	
1	07/05/2010	AD341779	01/06/2010	08/06/2010	44,460.00	(01)	D5
2	20/05/2010	AD339900	01/06/2010	08/06/2010	4,200.00		D6
3	06/05/2010	AD341735	01/06/2010	08/06/2010	22,500.00		D7
4	06/05/2010	AD341737	01/06/2010	08/06/2010	27,000.00		D8
5	06/05/2010	AD341739	01/06/2010	08/06/2010	13,980.00		D9
6	06/05/2010	AD341740	01/06/2010	08/06/2010	4,320.00		D10
7	07/05/2010	AD341778	01/06/2010	08/06/2010	68,639.40	(01)	D11
8	07/05/2010	AD341780	01/06/2010	08/06/2010	37,000.00	(01)	D12
9	07/05/2010	AD341781	01/06/2010	08/06/2010	125,000.00	(01)	D13
10	07/05/2010	AD341795	17/06/2010	22/06/2010	125,000.00	(01)	D14
11	08/05/2010	AD333664	28/07/2010	30/07/2010	788,000.00		D15
12	13/07/2010	AE017157	28/07/2010	30/07/2010	135,000.00		D16
13	15/07/2010	AE017155	30/07/2010	04/08/2010	15,070.00		D17
14	15/07/2010	AE017158	30/07/2010	04/08/2010	37,000.00		D18
15	23/07/2010	AE017159	06/08/2010	20/08/2010	97,500.00		D19
16	23/07/2010	AE017160	30/07/2010	04/08/2010	7,350.00		D20
<b>Total</b>					<b>1,552,019.40</b>		

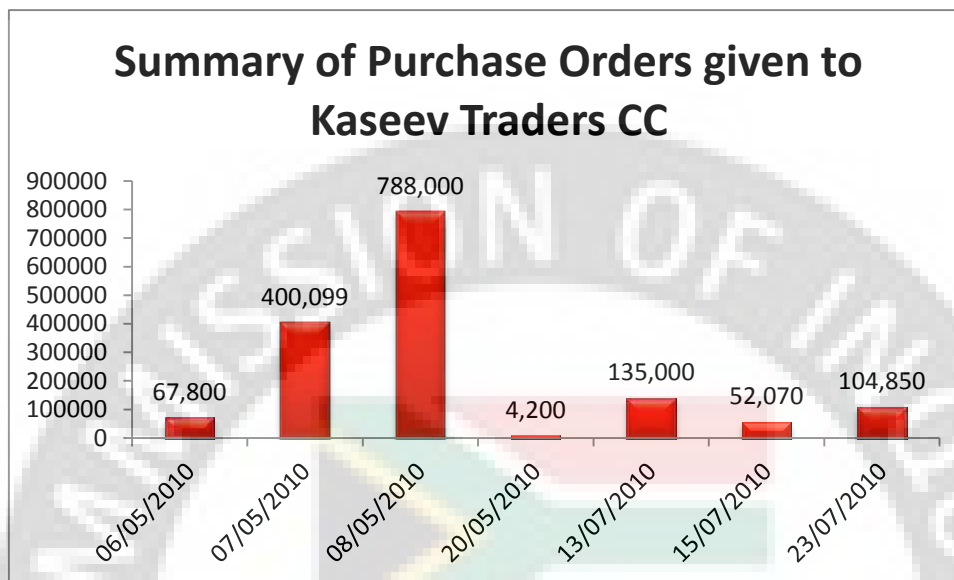
**NOTES**

- (01) These orders have been discussed in paragraph 14.045 of my report and are included in the twenty three procurement authority submissions where I discussed how three of Panday's related entities being Kaseev Traders, Unite Mzansi Traders and Valotone 21 CC cover quoted against one another and therefore, conclude that the procurement process for their appointment was not fair, competitive, transparent and cost effective. The aggregate amount of these orders is R400,099.40.

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- 16.002 A summary of orders awarded to Kaseev Traders obtained from the abovementioned table is graphically illustrated hereunder:



- 16.003 I can also confirm from my examination of the payment order transaction forms for each of the abovementioned orders that was awarded to Kaseev Traders (except Order No. AD341739) by the SAPS that Narainpershad appears to have signed the certificate for payment which certificate reads as follows:

D5 – D20

D9

*"I certify that this order satisfies the requirements as to charges in accordance with the contract/agreement/tariff\* that the said charges are fair and reasonable, that the payee is entitled to this payment. That the necessary invoices or other payment documents are attached, that disallowances have been made and that payment is authorised."*

- 16.004 An extract of this document containing the signature that appears to be that of Narainpershad and the certificate, obtained from order No. AD341779, is illustrated in Record 88 below:

D5|1

PwC



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## Record 88

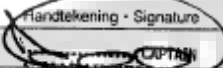
D5|1

**BETALING • PAYMENT**

Ek sertifiseer dat hierdie bestelling aan die vereistes voldoen t.o.v. vorderings ooreenkomstig die kontrak/ooreenkomst/tarief\* dat dit blink en redelik is, dat die begunstigde op die betaling geregtig is. Dat die nodige fakture of ander betaaldokumente aangeheg is, die afkeuring gedoen is en betaling gemagtig word.

I certify that this order satisfies the requirements as to charges in accordance with the contract/agreement/tariff\* that the said charges are fair and reasonable, that the payee is entitled to this payment. That the necessary invoices or other payment documents are attached, that the disallowances have been made and that payment is authorised.

\* Skrap indien nie van toepassing nie • Delete if not applicable.

Handtekening • Signature	Rang • Rank
	Captain
A. NARAINPERSHAD	
Datum • Date	JY JY M D
	20 10 05 18

- 16.005 Based on this certificate, and the fact that Narainpershad appears to have appended his signature thereto, I can conclude that he has certified that the supplier can be paid and furthermore that the charges are fair and reasonable. I have indicated in previous paragraphs of this report that the procurement process was not fair, transparent, competitive and cost effective and I shall show further hereunder, how the payments certified by Narainpershad for Kaseev Traders were not for fair and reasonable prices after taking into account the cost price and profit margins realised on each order.

D5|1

## Common Documents

- 16.006 The records of Kaseev Traders did not include all their accounting records and therefore, I have been unable to reconcile each of their orders to their suppliers invoice. However, I have been able to identify some documents that make reference to purchases from their suppliers and I have also been able to reconcile the payments for these items to their bank statements and therefore, I have assumed that the purchase was made from these suppliers and that these prices are Kaseev Traders cost price.

PwC



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- 16.007 One of the documents used in my analysis is a spreadsheet that contains information for Unite Mzansi Trading, Valotone 21 CC and Kaseev Traders (**Document No. 19269**) which was also found amongst Goldcoast Trading's records<sup>1</sup>. This document shows the quantity of items procured by either of these three entities and the cost price thereof a copy of which is illustrated in Record 89 below:

D5b|1 & D7b|1  
D9a & D12b  
D18b & D19b  
D20b

Record 89

Unite Mzansi	QNTY	INV AMT	Valotone	QNTY	INV AMT	KASEEV	QNTY	INV AMT
bio derm SPF100	120	14400.00	endo scopes	4	21833.28	Flood lights	5	42077.40
ration packs	1000	93201.00	belly scopes	12	11796.95	Sleeping bags	40	10298.00
extension cord	2	778.62	hessian	1500 m	20520.00	jerry cans 25lt	25	6197.26
sandbags	2000	30000.00	Normal TV	4	7996.00	Binoculars	4	1439.96
cable ties	1000	501.60	security stickers	1000X7	553.00	Chairs	150	6600.00
fire extinguishers	9	3420.00	Angle iron	500 m	11760.29	Digital camera	2	9999.98
microwaves	3	1559.97	Camp beds	40	19960.00	Steel tables	15	5985.00
water cooler	2	4762.92	Projector	2	8899.90	Notice boards	18	0.00
garmin	8	22399.92	Nyala Jacks	2	937.08	Flood lights	5	0.00
			Medical kit	6	3762.00			
			Fridges	4	9600.00			
			DVDPlayer	2	399.98			
			Proj Screens	2	0.00			
			Ranger finder	4	45001.50			
			Salton urns	4	3599.94			
			Venter trailers	3	25650.00			
			Batteries	2100	37910.19			
			Hand scanners	24	0.00			
			torches	50	9199.80			
		171024.03			2393793.1			82597.60
TOTAL ALL		493001.54						
3 way payments		164333.85			328667.69			

AD341795  
R125,000 (D14b)

AD341779  
R44,460 (D5b|1)

AD341739  
R13,980 (D9b|1)

AD341735  
R22,500 (D7b|1)

AD341780  
R37,000 (D12b)

AD341737  
R27,000 (D8b|1)

AD341778  
R68,639.40 (D11b)  
R27,000 (D8b|1)

AD341781  
R127,000 (D13b|1)  
AD341795  
R125,000 (D14b|1)

- 16.008 I have reconciled each of these items to purchase orders awarded to Kaseev Traders by the SAPS and the order number and amount is recorded in the call out box adjacent to each entry in Record 89 above (**Document No. 19269**).

<sup>1</sup> Volume 55 – Exhibit bag No. 6798.

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16.009 Three<sup>1</sup> of the six order numbers for Kaseev Traders, identified in Record 89 above, are included in the twenty three procurement authority submissions where I have determined that these three entities “competed” against each other, whilst for the remaining orders I have not been able to trace the procurement authority submissions and therefore, cannot conclude from whom the other quotes were received, if any. In spite of not having conclusive documentary evidence from whom quotations were received, it would be reasonable to conclude that these entities competed amongst themselves based on some of the entries that appear in Tasleems Record Counter Book<sup>2</sup>.

D5

D12

D14

A3|94

A4-A6

16.010 A summary of the information relating to my analysis and findings of these six orders are detailed hereunder:

Order No	Amount	Cost Price	Document No	Bank Price	Document No	Profit	Profit Margin
AD341779	44,460.00	10,298.00	19269	10,298.00	30939	34,162.00	331.73%
AD341735	22,500.00	6,600.00	19269	-	0	15,900.00	240.91%
AD341737	27,000.00	5,985.00	19269			21,015.00	351.13%
AD341739	13,980.00	6,197.26	19269			7,782.74	125.58%
AD341780	37,000.00	9,999.98	19269	9,999.98	30939	27,000.02	270.00%
AD341795	125,000.00	42,077.40	19269	42,077.40	30939	82,922.60	197.07%

D5

D7

D8

D9

D12

D14

16.011 My analysis above, with reference to the three orders that were included in the twenty three cover quotes referred to above and in paragraph 14.045, revealed that the profit margins on the items sold to the SAPS by Kaseev Traders varied from 125% to 331%.

D5a &amp; D12a

D14a

D4

<sup>1</sup> AD341779 – R44,460; AD341780 - R37,000; and AD341795 – R125,000.

<sup>2</sup> Refer to Record 11 (on page 99), Record 12 (on page 99). Record 54 (on page 116), Record 55 (on page 117) Record 56 (on page 117) and Record 57 on page 118.

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- |        |  |            |
|--------|--|------------|
| 16.012 | I have already discussed the Company Profile of Kaseev Traders in paragraph 14.119 to 14.121 of my report and shall not repeat the content thereof again other than to say that according to this document this entity is said to be very competitive when supplying goods and their profit margins are small when compared to similar entities. This statement is not true because when I calculated their profit margins on the sale of goods to the SAPS, I have determined that these profit margins were between 58% to 550% with the average profit margin being 111%. | A65<br>D4  |
| 16.013 | Narainpershad has certified each payment made to Kaseev Traders (other than order No. AD 341739) and by doing so has indicated, <i>inter alia</i> , that the amounts invoiced were fair and reasonable. It would be reasonable to conclude that after taking into account that their profit margins were between 58% to 550% with the average profit margin being 111% it would have been false for him to have certified all their payments as being fair and reasonable.   | D9 1<br>D4 |
| 16.014 | Narainpershad has also received benefits from Panday in the aggregate amount of R52,406.71 before these payments were made to Kaseev Traders in addition to being involved in the procurement process by verifying and checking the procurement documents used in the evaluation of supplier quotations. This has already been discussed in preceding paragraphs of this report and shall not be repeated <sup>1</sup> .   |            |
|        | <b>Fair and Reasonable Charges</b>   |            |
| 16.015 | My detailed findings from the analysis of all documents relating to Kaseev Traders is included as an annexure to my report and titled "PwC Analysis of documents" from which I can conclude that I have been able to reconcile nine of Kaseev Traders orders to supplier invoices or other document.   | D4         |

<sup>1</sup> Refer to paragraphs 14.038 to 14.055.

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- 16.016 For ease of reference I shall not discuss each of these orders in the detailed content of the report but instead have included a table hereunder detailing the order number, cost to the SAPS, Kaseev Traders cost price, their profit margin as a value and a percentage. The detailed analysis is however attached as annexure D4.

D4

PwC ID	Order No	Invoice Amount ( R )	Cost of Sales ( R )	Gross Profit ( R )	Gross Profit %
1	AD341779	44,460.00	10,298.00	34,162.00	332%
2	AD339900	4,200.00	869.66	3,330.34	383%
3	AD341735	22,500.00	6,600.00	15,900.00	241%
4	AD341737	27,000.00	5,985.00	21,015.00	351%
5	AD341739	13,980.00	6,197.26	7,782.74	126%
6	AD341740	4,320.00	1,439.96	2,880.04	200%
7	AD341778	68,639.40	19,678.00	48,961.40	249%
8	AD341780	37,000.00	9,999.98	27,000.02	270%
9	AD341781	125,000.00	42,077.40	82,922.60	197%
10	AD341795	125,000.00	42,077.40	82,922.60	197%
11	AD333664	788,000.00	474,012.00	313,988.00	66%
12	AE017157	135,000.00	85,386.00	49,614.00	58%
13	AE017155	15,070.00	3,240.00	11,830.00	365%
14	AE017158	37,000.00	9,999.98	27,000.02	270%
15	AE017159	97,500.00	15,000.00	82,500.00	550%
16	AE017160	7,350.00	1,504.80	5,845.20	388%
	<b>Total</b>	<b>1,552,019.40</b>	<b>734,365.44</b>	<b>817,653.96</b>	<b>111%</b>

D5

D6

D7

D8

D9

D10

D11

D12

D13

D14

D15

D16

D17

D18

D19

D20

- 16.017 The order awarded to Kaseev Traders for which they earned a profit margin of 351% is order No. AD341737 in the amount of R27,000 which relates to the supply of fifteen steel tables at a cost of R1,800 a table.

D8

PwC

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16.018	An affidavit obtained from Bert Edward Schultz, the Risk Manager at Makro Springfield, included various reprinted invoices for Makro cards allocated to Panday, Goldcoast Trading and Seevesh Iswarkumar ( <b><u>Annexure BES1 – BES3 (Document No.50489 – 50551)</u></b> ). I determined, from my examination of these documents, that, on Friday 7 May 2010, fifteen steel Canteen Tables 1800X770 were purchased using the Makro card of Mr Seevesh Iswarkumar which cost R399.00 a table ( <b>Document No. 50548</b> ). The total cost to Kaseev Traders was R5,985 and the payment thereof was made by means of a credit card with number 490115*****1029.	D21  D21 3-65  D21 62
16.019	These tables were sold to the SAPS by Kaseev Traders at an aggregate cost of R27,000 which means that they made an aggregate profit of R21,015 or 351% profit margin on the sale of these tables. As indicated in previous paragraphs of my report, Narainpershad certified the items for payment and by doing so he indicated that the said charges were fair and reasonable when in fact they were not. (The market price for steel tables would be R399 a table and not R1,800).	D8 2  D8 1
<b>Noncompliance Procurement procedures</b>		
16.020	The SAPS awarded two orders to Kaseev Traders both on 17 May 2010 in the amount of R125,000 each which was for the procurement of five flood lights per order. Order No's AD341781 and AD341795 refers ( <b>Document No.12823 and 12827</b> ).	D13 & D14
16.021	The procurement authority submissions for both these orders are included in the twenty three procurement authority submissions that are discussed in preceding paragraphs <sup>1</sup> of my report where I have discussed the combative practises of Kaseev Traders, Unite Mzansi Trading and Valotone 21 CC.	D13a 1  D14a 1

<sup>1</sup> Refer to paragraphs 14.044 to 14.055.

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- 16.022 My review of the two procurement authority submissions relating to order No. AD 341781 (**Document No13101**) and AD341795 (**Document No. 13013**) revealed that, in both instances, Unite Mzansi Trading and Valotone 21 CC quoted against Kaseev Traders whilst Narainpershad checked and verified the documents and Madhoe has approved the purchase.

D13a|1

D14a|1

- 16.023 In these two instances the prices submitted by all three entities are the same for both orders, as detailed hereunder:

Kaseev Traders	Unite Mzansi Trading	Valotone 21 CC
R125,000	R139,250	R146,750

D13a|1

D14a|1

- 16.024 In both instances, the SAPS dealt with these orders in terms of Part 2 Invitation and Acceptance of Price Quotations up to the value of R200,000 as per the SCM manual<sup>1</sup>. Kaseev Traders were asked to complete “*Written Price Quotations – Firm Prices (Above the value of R30,000 but not exceeding R200,000 (VAT included))*” (**Document No. 13100 and 13104**) to quote on five flood lights for each request.

D13a|1

D14a|1

- 16.025 Both these orders, in aggregate, amount to R250,000 and therefore, exceed the value of R200,000 and in my opinion, ought to have been dealt with in Part 3 and 4 of the SCM manual i.e. Part 3: Invitation of bids (Exceeding R200,000 per case) and Part 4: Acceptance of Bids (Exceeding R200,000 per case).

D13|1

D14|1

<sup>1</sup> Refer to paragraphs 11.015 to 11.020.



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- |        |  |                               |
|--------|--|-------------------------------|
| 16.026 | This means that Narainpershad and Madhoe spilt the order to stay within the approved delegated amount, which is contrary to “ <i>Chapter 4 - Satisfy Requirements by means of Price Quotations</i> <sup>1</sup> .” Madhoe also had the delegated authority, in terms of the SCM manual, to approve orders greater than R10,000 but less than R200,000 (inclusive of VAT) <sup>2</sup> and therefore, did not have the authority to approve any order greater than R200,000, as this would have to have been done by the Bid Adjudication Committee with at least a Divisional Commissioner as Chairperson <sup>3</sup> . | A1 28<br><br>A1 212<br>A1 217 |
| 16.027 | Based on the following facts, it would be reasonable to conclude that Narainpershad and Madhoe spilt the order to procure 10 flood lights from Kaseev Traders so that Madhoe would have had the authority to approve the purchases and therefore, give Kaseev Traders and or Panday, an unfair advantage. Had they followed the correct procedures then the authority to approve would have had to be submitted to the Bid Adjudication Committee who had a Divisional Commissioner as the Chairperson.  | D13 & D14                     |
| 16.028 | The affidavit obtained from Gary Dawson ( <b>Document No. 50460 – 50466</b> ), an employee at Genlux Lighting, revealed that they had sold ten flood lights and accessories to Kaseev Traders, which order was placed with them on 10 May 2010 ( <b><u>Annexure GD1(b) (Document No. 50463)</u></b> ). My review of this document revealed that Kaseev Traders placed an order for ten floodlights, and accessories, with Genlux Lighting which order reaffirms my opinion stated earlier that the orders were spilt by the police to stay within Madhoe’s delegated limit i.e. less than R200,000.                      | D23<br><br>D23 4              |

<sup>1</sup> Refer to paragraph 11.029 to 11.031 and 11.031 paragraph 3.

<sup>2</sup> Refer to paragraph 11.018 number 5.

<sup>3</sup> Refer to paragraph 11.023 number 1.



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- 16.029 I have also determined from Genlux Lighting's quotation and invoices annexed to Gary Dawson's affidavit that the cost of sales to Kaseev Traders for these ten flood lights was R84,154.80 (**Document No. 50463**) which was sold to the police for R250,000. This means that Kaseev Traders made a profit of R82,922.60 on each order or an aggregate profit of R165,845.20 (197% profit margin).
- 16.030 In this instance, the procurement process followed was not fair, equitable, competitive or cost effective as the police have had to pay R165,845 more for these services than what they should have.
- Summary of Findings**
- 16.031 Kaseev Traders was awarded sixteen (16) orders by the SAPS SCM Unit in KwaZulu-Natal which in aggregate amount to R1,552,019.40.
- 16.032 Of these sixteen (16) orders, only five, in the aggregate amount of R400,099.40, have been reconciled to procurement documents which documents show that Valotone 21 CC, Unite Mzansi Trading and Kaseev Traders all competed against each other for these orders.
- 16.033 Of the aforementioned five orders, Madhoe has authorised the procurement of all the goods from Kaseev Traders whilst the Procurement Authority Submission indicates that these documents were verified by Narainpershad.
- 16.034 Except for one, all payments were certified for payment by Narainpershad who validated, when he appended his signature to these documents, that the price charged to the police was fair and reasonable.
- 16.035 Analysis of the cost price of these items revealed that the prices charged by Kaseev Traders was not fair and reasonable. In fact, Kaseev Traders gross profit margin for these items varied between 58% to 550%. The example discussed in preceding paragraphs with regards to the steel table reflects that they procured a table at a cost of R399 and sold it to the police for R1,800 and as a result, had a profit margin of 351%.

D23|4  
D23|6-8  
D13|2  
D14|2

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- 16.036 The aforementioned findings also rebuts an electronic document located amongst the electronic data on one of the computers seized by the SAPS where the profile of Kaseev Traders was located in which it is stated that *“Kaseev Traders is very competitive in the market of supplying goods. The marginal profit is minimum compared to other companies providing the same service.”*<sup>1</sup>
- 16.037 In addition to the aforementioned, I have determined from my analysis of the bank statements of Kaseev Traders that the only amounts credited to their FNB bank account originated from the SAPS. In fact, their account was credited with the aggregate amount of R1,552,019.40 between the period 8 June 2010 to 1 August 2010 and therefore, this illustrates that their only customer was the SAPS.
- 16.038 I have further determined from the analysis of Kaseev Traders bank statements<sup>2</sup> that they have paid the expenses for Valotone 21 CC and Unite Mzansi Trading who are the same companies who competed against them for five of the orders awarded to them in the aggregate amount of R400,099.40.
- 16.039 The only reasonable conclusion that can be drawn from all the aforementioned facts is that Panday, and his related entities, conspired to defraud the SAPS into believing that the procurement process was fair, equitable, competitive, and cost effective when it was not. The effect of these misrepresentations was that the SAPS were misled into believing that they were paying market related prices for the goods procured from Kaseev Traders when in fact they were not, whilst the process followed was not fair. Because of these misrepresentations, the police paid R817,653.96 more for the items procured from Kaseev Traders than they would have had they gone to the suppliers in the market.

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<sup>1</sup> Refer to paragraphs 14.119 to 14.120.

<sup>2</sup> Refer to paragraphs 14.096 to 14.100.

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- 16.040 It is further evident that paragraph 9 of the Code of Conduct for Supply Chain Practitioners that combative practises, which include reference to non-existent competition, are prohibited. It would be reasonable to infer, based on all the facts discussed in my report, that Narainpershad and Madhoe were aware of these non-competitive practises and therefore, assisted Panday and his related entities in winning work that was not competitively contested.



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## 17.000 VALOTONE 21 CC

E

## Introduction

17.001 The Polfin records indicate that, between the period 3 March 2010 to 6 August 2010, the SAPS paid into the Valotone 21 CC ABSA Bank account No. 4075017618 in aggregate R3,515,704.36. A summary of these orders and payments are detailed hereunder:

E3

PwC ID	Order Date	Order No	Order Amount	Date Paid	Amount Paid	Notes
1	15/12/2009	AC910584	147,000.00	03/03/2010	147,000.00	
2	15/12/2009	AC910586	41,700.00	03/03/2010	41,700.00	
3	15/12/2009	AC910589	59,700.00	03/03/2010	59,700.00	
4	15/12/2009	AC910590	29,700.00	03/03/2010	29,700.00	
5	15/12/2009	AC910592	117,000.00	03/03/2010	117,000.00	
6	15/12/2009	AC910593	20,000.00	03/03/2010	20,000.00	
7	15/12/2009	AC910595	99,900.00	03/03/2010	99,900.00	
8	15/12/2009	AC910598	59,700.00	03/03/2010	59,700.00	
9	26/01/2010	AD338740	100,000.00	07/04/2010	100,000.00	
10	26/01/2010	AD338743	90,000.00	07/04/2010	90,000.00	
11	26/01/2010	AD338745	91,050.00	07/04/2010	91,050.00	
12	26/01/2010	AD338747	97,500.00	07/04/2010	97,500.00	
13	26/01/2010	AD338749	1,900.00	07/04/2010	1,900.00	
14	26/01/2010	AD339853	109,500.00	07/04/2010	109,500.00	
15	09/02/2010	AD339863	120,000.00	07/04/2010	120,000.00	
16	09/02/2010	AD339864	15,000.00	07/04/2010	15,000.00	
17	09/02/2010	AD339865	69,500.00	07/04/2010	69,500.00	
18	09/02/2010	AD339866	120,000.00	07/04/2010	120,000.00	
19	09/02/2010	AD339867	122,500.00	07/04/2010	122,500.00	
20	09/02/2010	AD339868	166,500.00	07/04/2010	166,500.00	
21	09/02/2010	AD339869	195,000.00	07/04/2010	195,000.00	
22	09/02/2010	AD339871	33,000.00	07/04/2010	33,000.00	
23	09/02/2010	AD339872	77,500.00	07/04/2010	77,500.00	
24	09/02/2010	AD339873	45,000.00	07/04/2010	45,000.00	
25	09/02/2010	AD339660	5,394.00	06/05/2010	5,394.00	
26	09/02/2010	AD339663	12,959.64	07/04/2010	12,959.64	
27	09/02/2010	AD339665	89,999.97	07/04/2010	89,999.97	
28	05/05/2010	AD341729	24,000.00	01/06/2010	24,000.00	
29	05/05/2010	AD341730	1,998.00	01/06/2010	1,998.00	
30	05/05/2010	AD341732	10,788.00	01/06/2010	10,788.00	
31	05/05/2010	AD341738	3,600.00	01/06/2010	3,600.00	

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PwC

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PwC ID	Order Date	Order No	Order Amount	Date Paid	Amount Paid	Notes	
32	05/05/2010	AD341763	1,097.25	01/06/2010	1,097.25		E36
33	05/05/2010	AD341765	10,800.00	01/06/2010	10,800.00		E37
34	05/05/2010	AD341766	16,800.00	01/06/2010	16,800.00		E38
35	07/05/2010	AD341782	92,700.00	01/06/2010	92,700.00	(01)	E39
36	07/05/2010	AD341783	92,700.00	01/06/2010	92,700.00	(01)	E40
37	07/05/2010	AD341784	85,560.00	01/06/2010	85,560.00	(01)	E41
38	07/05/2010	AD341785	89,100.00	01/06/2010	89,100.00	(01)	E42
39	07/05/2010	AD341786	145,425.00	01/06/2010	145,425.00	(01)	E43
40	07/05/2010	AD341787	46,012.50	17/06/2010	46,012.50	(01)	E44
41	07/05/2010	AD341788	47,040.00	17/06/2010	47,040.00	(01)	E45
42	07/05/2010	AD341789	75,000.00	17/06/2010	75,000.00	(01)	E46
43	07/05/2010	AD341790	44,500.00	17/06/2010	44,500.00	(01)	E47
44	07/05/2010	AD341791	42,000.00	17/06/2010	42,000.00	(01)	E48
45	07/05/2010	AD341792	92,000.00	17/06/2010	92,000.00	(01)	E49
46	07/05/2010	AD341793	99,840.00	17/06/2010	99,840.00	(01)	E50
47	07/05/2010	AD341794	99,840.00	17/06/2010	99,840.00	(01)	E51
48	15/07/2010	AE017151	52,400.00	30/07/2010	52,400.00	(03)	E52
49	15/07/2010	AE017152	53,000.00	30/07/2010	53,000.00	(03)	E53
50	15/07/2010	AE017153	120,000.00	30/07/2010	120,000.00	(03)	E54
51	23/07/2010	AE017163	4,000.00	06/08/2010	4,000.00		E55
52	29/07/2010	AE017181	28,500.00	06/08/2010	28,500.00		E56
53		AE017187	195,000.00			(02)	
54		AE017188	195,000.00			(02)	
			<b>3,905,704.36</b>		<b>3,515,704.36</b>		

**NOTES**

- (01) These orders have been discussed in paragraph 14.045 of my report and are included in the twenty three procurement authority submissions where I discussed how three of Panday's related entities being Kaseev Traders, Unite Mzansi Traders and Valotone 21 CC "competed" against one another and therefore, conclude that the procurement process for their appointment was not fair, competitive, transparent and cost effective. The aggregate amount of these orders is R1,051,717.50 and were all awarded to Valotone 21 CC on the same day being 7 May 2010.
- (02) These orders were given to Valotone 21 CC but there is no evidence that they were paid.
- (03) These orders were all dated the same date being 11 June 2010 but this date was deleted and the new date, 15 July 2010, was rewritten on the order. This is illustrated in Record 90 below:

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## Record 90

450  
1450

SOUTH AFRICAN POLICE SERVICE  
Z 452 (82/7860) PROVINCIAL: SCM

07 IS  
10 07 15  
Date stamp

Bestellingsdatum  
Order date

Afleweringdatum  
Delivery date

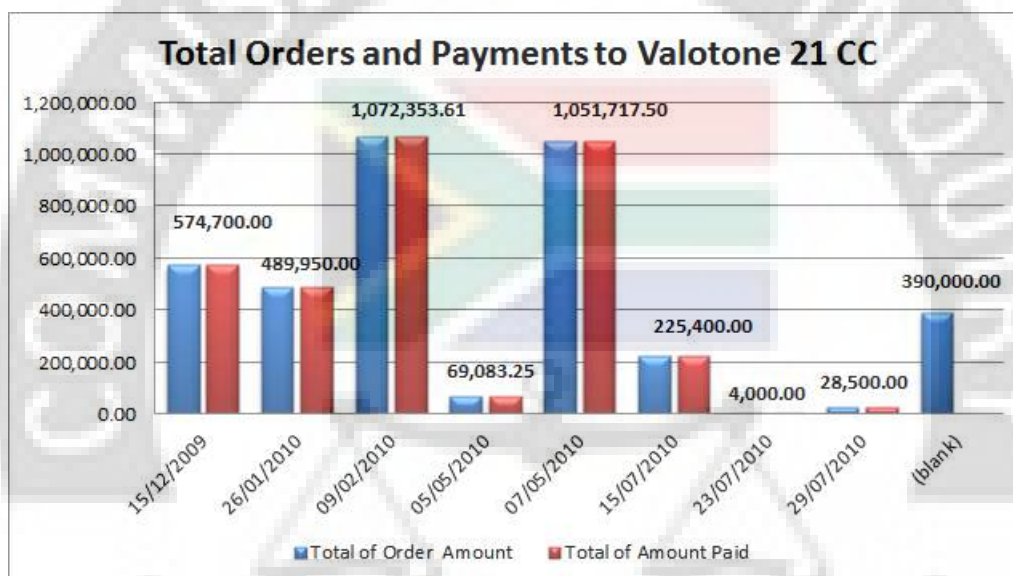
PROCUREMENT

SWAZILAND-NATAL

invoice address  
THE PROVINCIAL COMMISSIONER

- 17.002 A summary of the orders awarded to Valotone 21 CC obtained from the abovementioned table is graphically illustrated hereunder:

E5-E56

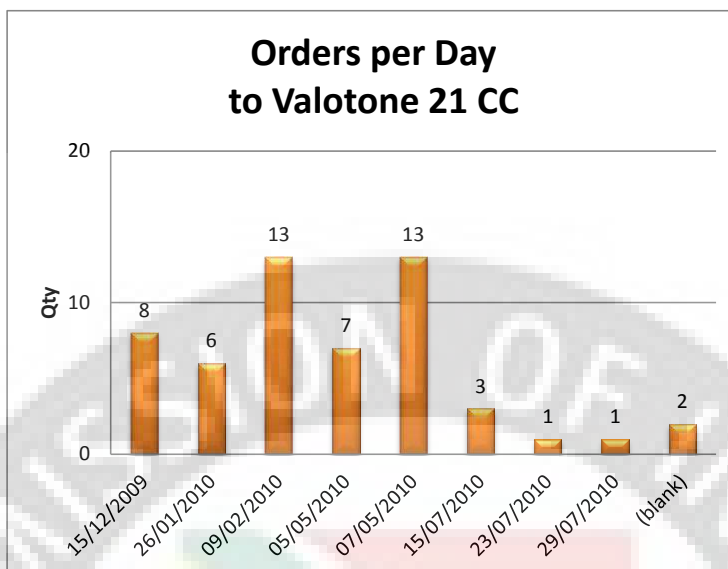


- 17.003 All orders allocated to this entity, in aggregate, amount to R3,905,704.36 although the aggregate sum of payments made was R3,515,704.36. This means that the last two orders in the amount of R195,000<sup>1</sup> each were not paid although the reasons therefore, are unknown to me.
- 17.004 In aggregate, 54 orders were placed with Valotone 21 CC by the SAPS, a summary thereof are detailed hereunder:

E5 – E56

<sup>1</sup> AE01787 AND AE017188.





17.005 Based on the aforementioned chart, almost half of the 54 orders placed with Valotone 21 CC were done on the 9 February and 7 May 2010 in the amounts of R1,072,353.61 and R1,051,717.50 respectively. Those 13 orders that were placed with Valotone 21 CC on 7 May 2010 are included in the twenty three (23) procurement authority submissions that have already been discussed in preceding paragraphs of my report where I have shown that Kaseev Traders, Unite Mzansi Trading and Valotone 21 CC have “competed” against one another and therefore, concluded that the procurement process was not fair, equitable, transparent, competitive and cost effective<sup>1</sup>.

E39 – E51

17.006 All payments that were made to Valotone 21 CC by the SAPS were certified as being fair and reasonable by what appears to be Narainpershad (an example of this certificate can be examined on Record 88 on page 236) however, the prices paid, when compared to their cost price, was not market related and therefore, not fair and reasonable.

E5|1 – E56|1

<sup>1</sup> Refer to paragraphs 14.044 to 14.055.



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**Analysis of Supplier invoices**

- 17.007 The records of Valotone 21 CC that have been provided to me for analysis did not include their accounting records and therefore, I have been unable to reconcile each of their orders to their supplier invoices, other than what is available in Record 91 below. This schedule is a document which I have already discussed in paragraph 16.007 of my report (**Document No. 19269**) and which schedule contains the names of three of Panday's related entities and includes, for each entity, the description and quantity of goods procured and the cost price to Valotone 21 CC.
- 17.008 This schedule is illustrated in Record 91 below whilst I have also identified each order number and the amount invoiced to the SAPS in respect of these purchases in the call out blocks to the right of this record.

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## Record 91

Unite Mzansi			Valtone			KASEEV		
	QNTY	INV AMT		QNTY	INV AMT		QNTY	INV AMT
bio derm SPF100	120	14400.00	endo scopes	4	21833.28	Flood lights	5	42077.40
ration packs	1000	93201.00	belly scopes	12	11796.95	Sleeping bags	40	10298.00
extension cord	2	778.62	hessian	1500 m	20520.00	jeep cans 75lt	25	6197.26
sandbags	2000	30000.00	Normal TV	4	7996.00	Binoculars	4	1439.96
cable ties	1000	501.60	security stickers	1000X7	553.00	Clips	150	6600.00
fire extinguishers	9	3420.00	Angle iron	500 m	11760.29	Digital camera	2	9999.98
microwaves	3	1559.97	Camp beds	40	19960.00	Steel tables	15	5985.00
water cooler	2	4762.92	Projector	2	8899.90	Notice boards	18	0.00
garmin	8	22399.92	Nyala Jacks	2	937.08	Flood lights	5	0.00
			Medical kit	6	3762.00			
			Fridges	4	9600.00			
			DVDPlayer	2	399.98			
			Proj Screens	2	0.00			
			Ranger finder	4	45001.50			
			Salton urns	4	3599.94			
			Venter trailers	3	25650.00			
			Batteries	2100	37910.19			
			Hand scanners	24	0.00			
			torches	50	9199.80			
		171024.03			239379.31			83597.60
TOTAL ALL			493001.54					
3 way payments			164333.85			328667.69		

AD341792 – R92,000 (E49)

AD341791 – R42,000 (E48)

AD341789 – R75,000 (E46)

AD341729 – R24,000 (E32)

AD341763 – R1,097.25 (E36)

AD341790 – R44,500 (E47)

AD341738 – R3,600 (E35)

AD341765 – R10,800 (E37)

AD341766 – R16,800 (E38)

AD341730 – R1,998 (E33)

AD341782 – R92,700 (E39)  
AD341783 – R92,700 (E40)

AD341732 – R10,788 (E34)

AD341785 – R89,100 (E42)

AD341793 – R99,840 (E50)  
AD341794 – R99,840 (E51)AD339863 – R120,000 (E19)  
AD017153 – R120,000 (E54).

- 17.009 I have compared and reconciled the items and quantities detailed in Record 91 above to the orders that were allocated to Valotone 21 CC and my findings are appended adjacent to each of these where available. The profits realised by Valotone 21 CC in relation to these orders are also set out hereunder.

E4

## Suppliers Invoice

- 17.010 In view that Valotone 21 CC records did not contain the accounting records for this entity, the SAPS were requested to investigate with the suppliers of the items sold to them to verify that the information contained in Record 91 above was valid and so that I could confirm the profit margins realised by this entity.

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- 17.011 I have been able to determine the profit margins realised by Valotone 21 CC in relation to these orders based on the investigations performed by the SAPS together with the available documentation located amongst Panday's records which are detailed hereunder:

E4

PwC ID	Order No	Selling Price Invoice ( R )	Cost ( R )	Gross Profit ( R )	Gross Profit %	
1	AC910584	147,000.00	37,620.00	109,380.00	291	E5
2	AC910586	41,700.00	13,611.60	28,088.40	206	E6
3	AC910589	59,700.00	27,907.20	31,792.80	114	E7
4	AC910590	29,700.00	13,543.20	16,156.80	119	E8
5	AC910592	117,000.00	20,520.00	96,480.00	470	E9
6	AC910593	20,000.00				E10
7	AC910595	99,900.00	40,185.00	59,715.00	149	E11
8	AC910598	59,700.00	28,386.00	31,314.00	110	E12
9	AD338740	100,000.00	36,000.00	64,000.00	178	E13
10	AD338743	90,000.00	22,686.00	67,314.00	297	E14
11	AD338745	91,050.00	22,686.00	68,364.00	301	E15
12	AD338747	97,500.00	26,000.00	71,500.00	275	E16
13	AD338749	1,900.00				E17
14	AD339853	109,500.00	37,200.00	72,300.00	194	E18
15	AD339863	120,000.00	30,646.85	89,353.15	292	E19
16	AD339864	15,000.00	3,400.00	11,600.00	341	E20
17	AD339865	69,500.00	22,686.00	46,814.00	206	E21
18	AD339866	120,000.00	52,725.00	67,275.00	128	E22
19	AD339867	122,500.00	31,250.00	91,250.00	231	E23
20	AD339868	166,500.00	66,975.00	99,525.00	149	E24
21	AD339869	195,000.00	34,200.00	160,800.00	470	E25
22	AD339871	33,000.00				E26
23	AD339872	77,500.00				E27
24	AD339873	45,000.00	20,000.16	24,999.84	125	E28
25	AD339660	5,394.00	1,798.00	3,596.00	200	E29
26	AD339663	12,959.64	4,319.88	8,639.76	200	E30
27	AD339665	89,999.97	30,000.00	59,999.97	300	E31

PwC

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PwC ID	Order No	Selling Price Invoice ( R )	Cost ( R )	Gross Profit ( R )	Gross Profit %	
28	AD341729	24,000.00	7,996.00	16,004.00	200	E32
29	AD341730	1,998.00	399.98	1,598.02	400	E33
30	AD341732	10,788.00	3,599.94	7,188.06	200	E34
31	AD341738	3,600.00	937.08	2,662.92	284	E35
32	AD341763	1,097.25	563.00	534.25	95	E36
33	AD341765	10,800.00	3,762.00	7,038.00	187	E37
34	AD341766	16,800.00	9,600.00	7,200.00	75	E38
35	AD341782	92,700.00	45,001.50	70,199.25	312	E39
36	AD341783	92,700.00	22,500.75	70,199.25	312	E40
37	AD341784	85,560.00	19,960.00	65,600.00	329	E41
38	AD341785	89,100.00	25,650.00	63,450.00	247	E42
39	AD341786	145,425.00	37,910.19	107,514.81	284	E43
40	AD341787	46,012.50				E44
41	AD341788	47,040.00	11,760.29	35,279.71	300	E45
42	AD341789	75,000.00	20,520.00	54,480.00	265	E46
43	AD341790	44,500.00	10,780.90	33,719.10	313	E47
44	AD341791	42,000.00	11,796.95	30,203.05	256	E48
45	AD341792	92,000.00	21,833.28	70,166.72	321	E49
46	AD341793	99,840.00	25,329.20	74,510.79	294	E50
47	AD341794	99,840.00	25,329.20	74,510.80	294	E51
48	AE017151	52,400.00				E52
49	AE017152	53,000.00				E53
50	AE017153	120,000.00	29,640.00	90,360.00	305	E54
51	AE017163	4,000.00				E55
52	AE017181	28,500.00	8,399.96	20,100.04	239	E56
		<b>3,515,704.36</b>	<b>945,215.38</b>	<b>2,282,676.48</b>	<b>241</b>	

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- 17.012 Based on the information contained in the abovementioned table, I have been able to conclude that Valotone 21 CC have sold goods to the SAPS in the aggregate amount of R3,515,704.36. Their cost of sales in respect of R3,227,891.86 of these sales, where I have supplier invoices, was R945,215.38 and therefore, they made a gross profit of R2,282,676.48. This means that their gross profit margin on these sales was 241%.
- 17.013 Included in the above mentioned table are thirteen orders that were awarded to Valotone 21 CC, which orders are included in the twenty three procurement authority submissions that I have discussed in preceding paragraphs of my report which I shall not repeat other than to say that, in respect of these orders, Valotone 21 CC, Unite Mzansi Trading and Kaseev Traders all “competed” against each other, and, as a result of this behaviour, they created the false impression that there was competitive bidding when in fact there was none.
- 17.014 This is further supported by Valotone 21 CC’s cost of sales in respect of the items sold to the SAPS and their gross profit margins realised in respect of these sales, which margins are between 247% to 329%. A summary of Valotone 21 CC’s selling price, cost of sales and gross profit and gross profit percentage for these thirteen orders is detailed hereunder:

PwC ID	Order No	Selling Price Invoice ( R )	Cost Of Sales ( R )	Gross Profit ( R )	Gross Profit %	
35	AD341782	92,700.00	45,001.50	70,199.25	312	E39
36	AD341783	92,700.00	22,500.75	70,199.25	312	E40
37	AD341784	85,560.00	19,960.00	65,600.00	329	E41
38	AD341785	89,100.00	25,650.00	63,450.00	247	E42
39	AD341786	145,425.00	37,910.19	107,514.81	284	E43
40	AD341787	46,012.50				E44
41	AD341788	47,040.00	11,760.29	35,279.71	300	E45
42	AD341789	75,000.00	20,520.00	54,480.00	265	E46
43	AD341790	44,500.00	10,780.90	33,719.10	313	E47

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PwC ID	Order No	Selling Price Invoice ( R )	Cost Of Sales ( R )	Gross Profit ( R )	Gross Profit %	
44	AD341791	42,000.00	11,796.95	30,203.05	256	E48
45	AD341792	92,000.00	21,833.28	70,166.72	321	E49
46	AD341793	99,840.00	25,329.20	74,510.79	294	E50
47	AD341794	99,840.00	25,329.20	74,510.80	294	E51
<b>TOTAL</b>		<b>1,051,717.50</b>	<b>278,372.26</b>	<b>749,833.48</b>	<b>261<sup>1</sup></b>	

17.015 I can therefore conclude that the SAPS paid R749,833.48 more for the items procured in relation to these thirteen (13) orders than they should have as the market related prices of the items purchased, in aggregate, amount to only R278,372.26. This observation further supports my earlier conclusions that the procurement process followed was not fair, equitable, transparent, competitive, and cost effective.

A1|2

17.016 Narainpershad appears to have approved all the payment vouchers in respect of these thirteen orders that were awarded to Valotone 21 CC and by doing so, he certified, *inter alia*, that the prices were fair and reasonable (Refer to Record 88 on page 236 for an example of this certificate.) whilst Madhoe appears to have approved all these orders.

E39|1 – E51|1

#### AD338740 – R100,000 – Garmin NUVI 1410

E13

17.017 One of the notable instances where the evidence of the collusive behaviour between the Panday related entities (Valotone 21 CC, Bravosat 25 CC and Goldcoast Trading ) and members of the SAPS where Valotone 21 CC was awarded an order and where the SAPS did not receive reasonable and fair value, can be illustrated with the purchase of ten Garmin Nuvi 1410 as per order number AD338740 in the amount of R100,000 (**Document No. 11489**).

E13|1

<sup>1</sup> (R1,051,717.50 – 46,012.50) – 278,372.26 = profit (727,332.74) ÷ ( 278,372.26) x 100 = 261%



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- 17.018 Each of these Garmins were sold to the SAPS at a cost of R10,000 a unit (**Document No. 11488**) after they were purchased from Hirsch (**Document No. 25153**), by Goldcoast Trading, at a cost of R3,600 a unit. Therefore, Valotone 21 CC made a profit of R6,400.00 on each of these Garmins sold to the SAPS or an aggregate gross profit margin of R64,000 or 178%. E13|2  
E13b|1  
E58|9
- 17.019 Narainpershad has certified the payments to Valotone 21 CC by appending what appears to be his signature to the certificate on the payment transaction form and, by doing so, he has certified, *inter alia*, that the prices invoiced for these Garmins were fair and reasonable when they were not. Therefore, this misrepresentation to the SAPS has resulted in them paying R64,000 more for the Garmins than they should have. E13|1
- 17.020 It is also evident that Valotone 21 CC and Bravosat 25 CC were involved in anti-competitive bidding practises as illustrated in the record book of Tasleem Rahiman, specifically Record 11 on page 129 of my report, where it is recorded by her that “*Thoshan called to redo quotes*” for the supply of “*Garmin GPS 1410 x 10 units each*” and that she “*should have two sets of quotes one Bravosat wins and the other Valotone.*” A3|94
- 17.021 Based on the aforementioned entry that appears in Tasleem Rahiman’s record counter book, it would be reasonable to conclude that the procurement process in respect of these Garmin’s was not fair, equitable, transparent, competitive or cost effective; whilst it would also appear that between Bravosat 25 CC and Valotone 21 CC there was collusion to create the false impression that there was competitive bidding when in fact there was not.
- Summary of Findings**
- 17.022 Valotone 21 CC were awarded fifty four (54) orders by the SAPS which in aggregate amount to R3,905,704.36 although two (2) of these orders, in the aggregate amount of R390,000, have not been paid. Hence, in total, the SAPS paid R3,515,704.36 to Valotone 21 CC in respect of the abovementioned orders that were awarded to them.

PwC



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- 17.023 Of these fifty four (54) orders, thirteen (13), in the aggregate amount of R1,051,717.50 have been reconciled to SAPS procurement documents which documents show that Valotone 21 CC, Unite Mzansi Trading and Kaseev Traders all “competed” against each other for these orders.
- 17.024 Each of these payments were certified for payment by Narainpershad, who was also responsible for verifying and checking the procurement documents before the procurement thereof was approved by Madhoe. Narainpershad, by appending his signature to the payment documents for Valotone 21 CC certified, *inter alia*, that the prices were fair and reasonable.
- 17.025 The profits realised by Valotone 21 CC in respect of the thirteen orders alone revealed that their cost price was only R278,372.26 and therefore, the SAPS have paid R749,833.48 more for the goods procured in respect of these thirteen (13) orders than they could have been bought for on the open market.
- 17.026 In addition to these thirteen (13) orders, the evidence of Valotone 21 CC’s cost price in relation to the remaining orders revealed that the prices charged by them were not fair and reasonable. In fact, their gross profit margins on these purchases varied between 75% to 475% with their average profit margin being 261%.
- 17.027 The example discussed in preceding paragraphs with regards to the supply of ten (10) Garmin Nuvi 1410 GPS units at R10,000 a unit (aggregate cost to police R100,000), which was supplied to Valotone 21 CC by Hirsch at R3,600 a unit, revealed that Valotone 21 CC made a gross profit of R64,000 or 178% on these items alone. In addition thereto, the entry that appears in a Walton’s Record book of Tasleem Rahiman revealed that Panday had instructed Tasleem Rahiman to prepare two sets of quotes for the supply of these GPS units, one in which Valotone 21 CC would win the work and the other Bravosat 25 CC. This therefore indicates that Panday manipulated the process in advance and knew who would win and that there was no competitive bidding in securing these orders.

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- 17.028 In addition to the above, I have determined from my analysis of the bank statements for Valotone 21 CC that the only significant amounts credited to their bank account originated from the SAPS in respect of the fifty two (52) orders that were awarded to them by the SAPS, in addition to R101,216.02 that originated from Goldcoast Trading. This therefore indicates that Valotone 21 CC's only client was the SAPS, as no additional deposits were made into their bank account other than that from the SAPS and Goldcoast Trading.
- 17.029 Of the R3,616,920.38 that was credited to Valotone 21 CC bank account, R2,272,000 (63% of credits) was transferred to the bank account of Goldcoast Trading whilst a further R160,000 was paid to P Panday. It would therefore indicate that the majority of money received from the SAPS by Valotone 21 CC was paid to Goldcoast Trading. Hence, this supports my earlier conclusions that Panday was related to, or controlled, all these entities and they operated together with a common purpose namely to create the impression that there was competitive bidding when in fact there was none.
- 17.030 The only reasonable conclusion that can be drawn from all the aforementioned facts is that Panday, and his related entities, conspired to mislead the SAPS into believing that the procurement process was fair, equitable, transparent, competitive, and cost effective when it was not. The effect of these misrepresentations was that the SAPS were misled into believing that they were receiving market related prices for the goods procured from Valotone 21 CC when in fact they were not, in addition to the process not being fair. As a result of these misrepresentations, the SAPS paid R2,292,033.50 more for the goods procured from Valotone 21 CC than they would have had they gone directly to the suppliers in the market.

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- 17.031 It is further evident that paragraph 9 of the Code of Conduct for Supply Chain Practitioners that combative practises, which include reference to non-existent competition, are prohibited. It would be reasonable to infer, based on all the facts discussed in my report, that Narainpershad and Madhoe were aware of these combative practises and therefore, assisted Panday and his related entities in winning the work that was not competitively contested and therefore, the goods were not obtained on a cost effective basis.



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## 18.000 UNITE MZANSI TRADING

G1 – G22

## Introduction

- 18.001 The Polfin records indicate that, between the period 7 April 2010 to 30 July 2010, the SAPS paid into Unite Mzansi Trading's ABSA Bank account No. 4075205065 in aggregate, R863,122.06. A summary of these orders are detailed hereunder

G3

PwC ID	Order Date	Order No	Order Amount	Date Paid	Amount	Notes
1	05/02/2010	AD339888	198,765.00	07/04/2010	198,765.00	
2	05/05/2010	AD341727	14,288.76	01/06/2010	14,288.76	
3	05/05/2010	AD341733	6,900.00	01/06/2010	6,900.00	
4	05/05/2010	AD341764	18,000.00	01/06/2010	18,000.00	
5	05/05/2010	AD341767	2,212.74	01/06/2010	2,212.74	
6	05/05/2010	AD341768	2,455.56	01/06/2010	2,455.56	
7	07/05/2010	AD341773	142,500.00	01/06/2010	142,500.00	(01)
8	07/05/2010	AD341774	195,000.00	01/06/2010	195,000.00	(01)
9	07/05/2010	AD341775	48,000.00	01/06/2010	48,000.00	(01)
10	07/05/2010	AD341776	76,000.00	01/06/2010	76,000.00	(01)
11	07/05/2010	AD341777	142,500.00	01/06/2010	142,500.00	(01)
12	15/07/2010	AE017154	16,500.00	30/07/2010	16,500.00	
<b>Total</b>					<b>863,122.06</b>	

G5

G6

G7

G8

G9

G10

G11

G12

G13

G14

G15

G16

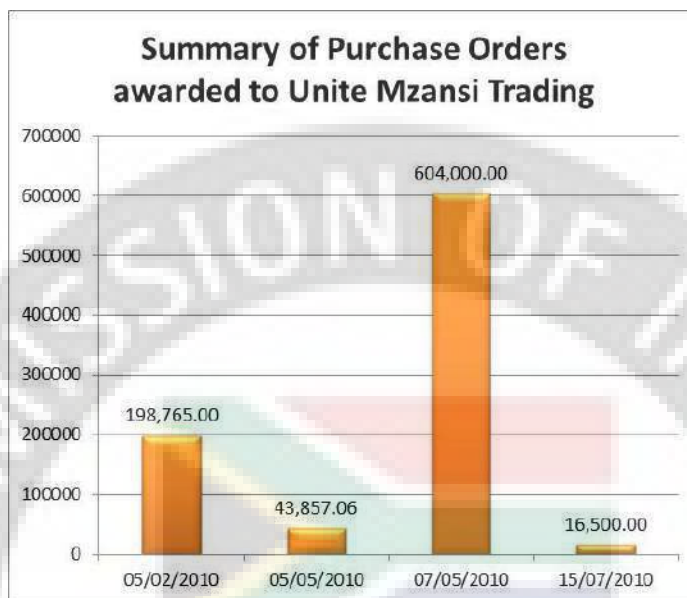
NOTES

- (01) These orders have been discussed in paragraph 14.045 of my report and are included in the twenty three procurement authority submissions where I discussed how three of Panday's related entities being Kaseev Traders, Unite Mzansi Traders and Valotone 21 CC "competed" against one another and therefore, conclude that the procurement process for their appointment was not fair, equitable, competitive, transparent and cost effective. The aggregate amount of these orders is R604,000 and were all awarded to Unite Mzansi Trading on the same day being 7 May 2010.

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- 18.002 A summary of the orders awarded to Unite Mzansi Trading obtained from the abovementioned table is graphically illustrated hereunder:



- 18.003 In aggregate, Unite Msanzi Trading were awarded twelve (12) orders, five (5) of which were awarded the same day namely 7 February 2010 and were only awarded after Kaseev Traders, Unite Mzansi Trading and Valotone 21 CC “competed” against each other<sup>1</sup>. G5 – G16  
G11 – g15
- 18.004 I have determined that each of these twelve (12) payments were certified for payment by what appears to be Narainpershad who, by appending his signature to the order payment transaction document (as per Record 88 on page 236 of my report) has certified, *inter alia*, that the prices invoiced were fair and reasonable. I have shown in subsequent paragraphs of this report when discussing Unite Mzansi Trading’s profit margins that their prices invoiced to the SAPS were not fair and reasonable. G5|1 – G16|1

<sup>1</sup> Refer to paragraphs 14.044 to 14.055.

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**Analysis of Supplier Invoices**

- 18.005 The records of Unite Mzansi Trading made available to me for analysis did not include their accounting records and therefore, I have been unable to reconcile each of their orders to their supplier invoices, other than what is available in Record 91 below. This schedule is a document which I have already discussed in paragraph 16.007 of my report (**Document No. 19269**) and which schedule contains the names of three of Panday's related entities and includes, for each entity, the description and quantity of goods procured and the cost price to Unite Mzansi Trading. It must also be noted that it is these same entities that competed together with the twenty three (23) procurement authority submissions that I have discussed in preceding paragraphs<sup>1</sup> of my report.
- 18.006 This schedule is illustrated in Record 92 below, whilst I have also identified each order number and the amount invoiced to the SAPS in respect of these purchases in the callouts to the right of this record.

**G6b|1****G9b|1****G10b|1****G12b|1****G13b|1**

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<sup>1</sup> Refer to paragraphs 14.044 to 14.055.

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## Record 92

Unite Mzansi	QNTY	INV AMT	Valtone	QNTY	INV AMT	KASEEV	QNTY	INV AMT
bio derm SPF100	120	14400.00	radio scopes	4	21833.28	Flood lights	5	42077.40
ration packs	1000	93201.00	radio scopes	12	11796.95	Sleeping bags	40	10298.00
extension cord	2	778.62	radio	1500 m	20520.00	jerry cans 25lt	25	6197.26
sandbags	2000	30000.00	normal TV	4	7996.00	Binoculars	4	1439.96
cable ties	1000	501.60	security stickers	1000X7	553.00	Chairs	150	6600.00
fire extinguishers	9	3420.00	single iron	500 m	11760.29	Digital camera	2	9999.98
microwaves	3	1559.97	camp beds	40	19960.00	Steel tables	15	5985.00
water cooler	2	4762.92	Projector	2	8098.90	Notice boards	18	0.00
garmin	8	22399.92	Alala Jacks	2	937.08	Flood lights	5	0.00
			Medical kit	6	3762.00			
			Fridges	4	9600.00			
			DVDPlayer	2	399.98			
			Proj Screens	2	0.00			
			Ranger finder	4	45001.50			
			Salton urns	4	3599.94			
			Venter trailers	3	25650.00			
			Batteries	2100	37910.19			
			Hand scanners	24	0.00			
			torches	50	9199.80			
		171024.03			2393793.1			82597.60
TOTAL ALL		493001.54						
3 way payments		164333.85			328667.69			

AD341775 – R48,000 (G13)

AD341773 - R142,500 (G11)  
AD341777 – R142,500 (G15)

AD341767 – R2,212.74 (G9)

AD341774 – R195,000 (G12)

AD341768 – R2,455.56 (G10)

AD341764 – R18,000 (G8)

AD341733 – R6,900 (G7)

AD341727 - R14,288.76 (G6)

AD341776 – R76,000 (G14)

18.007 The information contained in Record 92 above contains the particulars of nine (9) different items which I have been able to reconcile to ten(10) of the twelve (12) orders that were awarded to Unite Mzansi Trading.

G6 – G15

18.008 Based on the description, quantity and invoice amount for Unite Mzansi Trading detailed in Record 92 above, I have calculated the profit margins realised by this entity in the table hereunder:



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Order No	Order Amount	Doc No	Cost Price	Profit	Profit Margin	Doc No.	Notes	
AD341727	14,288.76	12847	4,762.92	9,525.84	200.00%	19269		G6
AD341733	6,900.00	12839	1,559.97	5,340.03	342.32%	19269		G7
AD341764	18,000.00	12845	3,420.00	14,580.00	426.32%	19269		G8
AD341767	2,212.74	12871	778.62	1,434.12	184.19%	19269		G9
AD341768	2,455.56	12875	501.60	1,953.96	389.55%	19269		G10
AD341773	142,500.00	12867	46,600.50	95,899.50	205.79%	19269	(01)(02)	G11
AD341774	195,000.00	12854	30,000.00	165,000.00	550.00%	19269	(01)(02)	G12
AD341775	48,000.00	12859	14,400.00	33,600.00	233.33%	19269	(01)	G13
AD341776	76,000.00	12863	22,399.92	53,600.08	239.29%	19269	(01)	G14
AD341777	142,500.00	12851	46,600.50	95,899.50	205.79%	19269	(01)	G15
<b>Total</b>			<b>171,024.03</b>	<b>476,833.03</b>	<b>278.81%</b>			

**NOTES**

(01) These orders have been discussed in paragraph 14.045 of my report and are included in the twenty three procurement authority submissions where I discussed how three of Panday's related entities being Kaseev Traders, Unite Mzansi Traders and Valotone 21 CC "competed" against one another and therefore, conclude that the procurement process for their appointment was not fair, equitable, competitive, transparent and cost effective. The aggregate amount of these orders is R604,000 and were all awarded to Unite Mzansi Trading on the same day being 7 May 2010.

(02) These orders relate to the supply of ration packs. These orders are discussed in detail in paragraphs 14.048 to 14.054 and 18.015 to 18.018

18.009 Five (5) orders awarded to Unite Mzansi Trading as detailed in the abovementioned table as per Note (01) amount to R604,000. These five (5) orders were awarded to Unite Mzansi Trading after they "competed" with Kaseev Traders and Valotone 21 CC in respect of these same orders and I have determined that their profit margin realised on these transactions is 277.50%<sup>1</sup>.

G11 – G15

G11a – G15a

<sup>1</sup> = 100 x (604,000 – 160,000.92) ÷ 160,000.92 = 277.50%.

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- 18.010 This means that the procurement process in respect of these specific orders was not fair, equitable, transparent, competitive and cost effective. Narainpershad was also involved with the process of verifying and checking the procurement documents in the evaluation of quotations whilst he also appears to have certified all payments to Unite Mzansi Trading.
- 18.011 In addition, Narainpershad has also received benefits from Panday between the periods that these orders were awarded to Unite Mzansi Trading.
- 18.012 I can also confirm that Madhoe was responsible for authorising the procurement from Unite Mzansi Trading in respect of the abovementioned five (5) orders whilst he has also benefited from “gifts” made by Panday during the same period.
- 18.013 I have also identified from one of the bank statements for Kaseev Traders FNB account No. 62251113313 (**Document No. 30939**) that a number of payments have been made from this entity’s account for purchases to Unite Mzansi Trading suppliers. An example of this bank statement is illustrated in Record 93 below:

G11 – G15

C7|64

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## Record 93

BUSINESS CHEQUE ACCOUNT: 6225113313			Tax Invoice/Statement Number : 5		Accrued Bank Charges	
Date	Description		Amount	Balance		
Opening Balance				8,790.00 Cr		0.00
7 May	Internet Trf From	Loan	100,000.00 Cr	108,790.00 Cr		
7 May	Internet Pmt To	H2O Water Dispensers ( Unite Mzansi & Trad )	4,762.92	104,027.08 Cr		
7 May	Internet Pmt To	Surgicon Sa Cc	3,762.00	100,265.08 Cr		
7 May	Internet Pmt To	Bovill Cc	563.00	99,702.08 Cr		
7 May	Debit Card POS Purchase	Voltax Briardene	410589*2830 07 May	98,421.86 Cr		2.75
7 May	Debit Card POS Purchase	Hirsch	410589*2830 07 May	85,821.86 Cr		2.75
10 May	Internet Pmt To	Gateway Steel	Seevesh	74,061.86 Cr		
10 May	Internet Pmt To	Imperial Armour	Kaseev Traders	29,060.36 Cr		
10 May	Internet Trf From	Loan	100,000.00 Cr	129,060.36 Cr		
10 May	Internet Pmt To	Genlux Lighting	Kaseev Traders	42,077.40	86,982.96 Cr	
10 May	Internet Pmt To	Canvas Construction	Vallone 21 Cc	20,520.00	66,462.96 Cr	
10 May	Internet Pmt To	Mr Power Tool	Vallone 21 Cc	937.08	65,525.88 Cr	
10 May	Internet Pmt To	Bamr (Pty) Ltd	Vallone 21 Cc	16,374.96	49,150.92 Cr	
10 May	Internet Pmt To	Venter Manufacturing	Kaseev Traders	25,650.00	23,500.92 Cr	
10 May	Internet Pmt To	Solmed Pharmacy	Unite Mzansi	14,400.00	9,100.92 Cr	
11 May	Internet Pmt To	Classic Fire & Plumb	Unite Mzansi & Trad	3,078.00	6,022.92 Cr	
11 May	Internet Trf From	Loan	50,000.00 Cr	56,022.92 Cr		
11 May	Internet Pmt To	Natal Caravans	004463	15,820.00	40,202.92 Cr	
11 May	Internet Pmt To	Sportsmans Warehouse	Kaseev Traders	10,298.00	29,904.92 Cr	
11 May	Internet Pmt To	Kwando Systems	Vallone 21 Cc	11,766.96	18,107.97 Cr	
11 May	Debit Card POS Purchase	Nbk Killerdeals	410589*2830 11 May	1,540.00	16,567.97 Cr	2.75
11 May	Debit Card POS Purchase	S*outdoor Warehouse	410589*2830 11 May	3,457.30	13,110.67 Cr	2.75
11 May	Rev Debit Card POS Purchase	Ray Nbk Killerdeals	4105895003652830	1,540.00 Cr	14,650.67 Cr	
12 May	Internet Trf From	Loan	120,000.00 Cr	134,650.67 Cr		
12 May	Internet Pmt To	Hamper Sales	Unite Mzansi	93,201.00	41,449.67 Cr	
12 May	Internet Pmt To	Lightsaver	Unite Mzansi	9,199.80	32,249.87 Cr	
12 May	Debit Card POS Purchase	Game Gateway	410589*2830 12 May	1,199.96	31,049.91 Cr	2.75
12 May	Debit Card POS Purchase	Game Gateway	410589*2830 12 May	7,996.00	23,053.91 Cr	2.75
12 May	Debit Card POS Purchase	S*incredible Connec	410589*2830 12 May	8,899.90	14,154.01 Cr	2.75
13 May	Internet Pmt To	M.H Suliman Hardware	Seevesh	10,000.00	4,154.01 Cr	
13 May	Internet Pmt To	Classic Fire & Plumb	Unite Mzansi Trading	342.00	3,812.01 Cr	
13 May	Internet Trf From	Loan	30,000.00 Cr	33,812.01 Cr		
13 May	Internet Pmt To	Hirsch B Trust	Kaseev Traders Cc	9,999.98	23,812.03 Cr	
13 May	Debit Card POS Purchase	S*makro Springfield	410589*2830 13 May	1,037.55	22,774.48 Cr	2.75
14 May	Internet Trf From	Loan	10,000.00 Cr	32,774.48 Cr		
14 May	Internet Trf From	Loan	10,000.00 Cr	42,774.48 Cr		
14 May	Internet Pmt To	Zzz	Kaseev Traders Cc	37,910.19	4,864.28 Cr	
14 May	Debit Card POS Purchase	S*natal Sprite Pty	410589*2830 14 May	4,140.00	724.29 Cr	2.75
24 May	Internet Trf From	Loan	100,000.00 Cr	100,724.29 Cr		
24 May	Internet Pmt To	Zzz	Kaseev Traders Cc	3,510.20	97,214.09 Cr	
24 May	Internet Pmt To	Hirsch	1344019	33,588.00	63,626.09 Cr	
24 May	Internet Pmt To	Bamr (Pty) Ltd	Vallone 21 Cc	5,458.32	58,167.77 Cr	
24 May	Internet Pmt To	Salary - March	Salary-March Back Pa	25,000.00	33,167.77 Cr	
24 May	Internet Pmt To	Salary-April Back Pa	Salary April Back Pa	25,000.00	8,167.77 Cr	
24 May	Internet Trf From	Loan	44,400.00 Cr	52,567.77 Cr		

C7|64

- 18.014 This document further reaffirms my earlier conclusions that these entities are Panday's related entities and therefore, reasonable to conclude that they were not independent of each another and are colluding with each other to create the impression that there was competitive bidding when there was not. As a result, the procurement process would not have been fair, equitable, transparent, competitive, and cost effective.

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**Order No. AD341773 & AD 341777 – R285,500****G1 & G15**

18.015 I have already discussed in preceding paragraphs of this report the twenty three (23) procurement authority submissions where recommendations were made to award orders to Unite Mzansi Trading, Kaseev Traders and Valotone 21 CC for orders where these entities *competed* with one another.

18.016 I have also discussed in these paragraphs<sup>1</sup> the procurement of 1000 ration packs from Unite Mzansi Trading and shall not repeat the detailed content thereof other than to say that the “*competitive*” prices obtained from Kaseev Traders and Valotone 21 CC were not market related and therefore, the SAPS paid 206% more than what they should have had they gone directly to the supplier. Based on this information, it would be reasonable to conclude that these entities misrepresented to the SAPS that the prices quoted were market related and that there was competitive bidding when in fact there was not.

**G11 & G15**G11b|3 & G20|3  
G15b|1 & G20|3

18.017 In summary, the SAPS paid Panday or Unite Mzansi Trading R285,000 for the same items which they could have purchased from Hamper Sales (Pty) Ltd at R93,201. The suppliers who “competed” in this process were related to or controlled by Panday and, after determining the cost price of the goods supplied to the SAPS, the only reasonable conclusion to be made there from is that Panday manipulated the procurement process by competing with his related entities and thereby ensured that the procurement process was not fair, equitable, transparent, competitive and cost effective. This is also aggravated by the fact that Narainpershad was aware of the interest that Panday had in these entities and was responsible for checking and verifying the documents from the suppliers when evaluating their bid prices. This conclusion is based on the fact that Tasleem Rahiman has recorded in her counter book in certain instances that Captain Ash was happy with the new invoices / orders etc.<sup>2</sup>.

**G11 & G15**G11b|3 & G15b|1  
(G20)G11a|1  
G15a|1  
A3|139

<sup>1</sup> Refer to paragraphs 14.048 to 14.054.

<sup>2</sup> Refer to Record 27 on page 120 of this report.

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- 18.018 Narainpershad has also certified by appending what appears to be his signature on both payments made to Unite Mzansi Trading for the ration packs that the amounts invoiced were fair and reasonable when it was not.

G11|1

G15|1

**Non Compliance Procurement Procedures**

- 18.019 The procurement of these ration packs were done in two separate orders on the same day, namely 17 May 2010, for R142,500 per order both of which were for 500 ration packs. In view that the orders were given on the same day, it would be reasonable for me to conclude that the order was split so that it did not exceed the delegated amount of the approver who was once again Madhoe.
- 18.020 This means that, had the procurement thereof been done on a single order, it would have amounted to R285,000 which amount is greater than the delegated amount Madhoe was authorised to approve in terms of the SAPS SCM manual. However, the procurement thereof was done on the basis of “Written Price Quotations – Firm Prices (Above the value of R30,000 but not exceeding R200,000 (VAT Included))” (Document No. 13113 and (unnumbered document between 13131 and 13132) which Madhoe had the authority to approve in terms of the SCM manual<sup>1</sup> but, as indicated in previous discussions, I am of the opinion that the procurement of these two orders should not have been spilt to avoid the delegated authority limits as indicated in “Chapter 4 – Satisfy Requirements by means of Price Quotations<sup>2</sup>.”

G11|1

G15|1

A1|28

A1|212

A1|217

G15a|2

G11a|2

A1|28

<sup>1</sup> Refer to paragraph 11.018 number 5.

<sup>2</sup> Refer to paragraph 11.029 to 11.031 and 11.031 paragraph 3.

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18.021	I have already discussed this in preceding paragraphs of this report, but will emphasise it once again, that the cost price of these ration packs to Unite Mzansi Trading was R93,201 which ration packs were sold to the police for R285,000. This means that Unite Mzansi made a profit of R191,799, or 206% profit margin, which was achieved as a result of collusive behaviour as there was false competitive bidding amongst Pandays' related entities when competing for this work.	G11B 3 or G15b 1 (G20)
	<b>AD341774 – R195,000 – Sand Bags</b>	G12
18.022	Order No. AD341774 in the amount of R195,000 was awarded to Unite Mzansi Trading on 7 May 2010. The procurement authority submission for this order is included with the twenty three procurement authority submissions discussed in preceding paragraphs of my report and therefore, I shall not repeat the detailed content thereof but instead will merely reaffirm my opinion that Unite Mzansi Trading, Kaseev Traders and Valotone 21 CC appear to have colluded to create the impression that that there was complete bidding when there was none.	G12  G12a 1
18.023	The procurement authority submission indicates all these suppliers "competed" against each other whilst Narainpershad appears to have certified and verified the documents and Madhoe appears to have approved the procurement of the goods.	G12a 1
18.024	I have not been able to reconcile the purchase of the sand bags that were procured for this order to a suppliers invoice however, taking cognisance of Record 91 above (on page 252) ( <b>Document No.19269</b> ), I have noted that the cost of sales to Unite Mzansi Trading for these items is reflected as R30,000.	G12b 1
18.025	I have also identified in the bank statements of Kaseev Traders that they made three payments to MH Sulman Hardware or MH Sulman in the amounts of R10,000 each ( <b>Document No. 43010, 43011 and 43013</b> ) which information supports the content detailed in Record 91 above (on page 252).	G12b 2-4  G12b 1

PwC



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- 18.026 I can also confirm from the content of information detailed in Record 91 above (on page 252) (**Document No. 19269**) that the invoice amounts and quantity of items for three of the entries appearing thereon can be corroborated to Unite Mzansi Trading's suppliers invoices namely:

Record 91 above (on page 252) (Document No. 19269)				Supplier Invoices			
Order No	Description	Qty	Invoice Amount	Name	Qty	Invoice Amount	Document No
AD341773	Ration Packs	500	93,201.00	Hamper Sales	1000	93,201.00	50407
AD341777	Ration Packs	500					
AD341733	Microwaves	3	1,559.97	Hirsch	3	1,559.97	50301
AD341776	Garmin	8	22,399.92	Hirsch	8	22,399.92	50297

G11b|1 &amp; G11b|3

G15b|1 &amp; G15b|3

G7b|1 &amp; G19|8

G14b|1 &amp; G19|4

- 18.027 Based on the above, I conclude that the cost price of the sand bags for Unite Mzansi Trading is R30,000 and therefore, the profit realised by Unite Mzansi Trading on this transaction is R165,000, or a profit margin of 550%.

- 18.028 Narainpershad appears to have certified the payment for this specific order and, by doing so, has confirmed that the charges were fair and reasonable when in fact they were not. In view that Unite Mzansi Trading, Kaseev Traders and Valotone 21 CC quoted for the same work, and in view that they are Panday's related entities, it is reasonable to conclude that there was collusion and there was not any competitive bidding and as a result, the SAPS have been prejudiced in the amount of R165,000.

G12|1

G12a|1

**AD341776 – R76,000 – Garmin Nuvi 1410**

G14

- 18.029 One of the instances where there is evidence of collusive behaviour between the Panday's related entities (Kaseev Traders, Unite Mzansi Trading and Valotone 21 CC) and members of the SAPS where Unite Mzansi Trading was awarded an order and where the SAPS did not receive reasonable and fair value, can be illustrated with the purchase of eight Garmin Nuvi 1410 with order No. AD341776 in the amount of R76,000 (**Document No.012863**).

G14

PwC



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- 18.030 The procurement authority submission (**Document No. 13115**) in relation to this item is included in the twenty three (23) procurement authority submissions that I have discussed in preceding paragraphs of my report. Therefore, I shall not repeat the detail content thereof other than to mention that Unite Mzansi Trading, Kaseev Traders and Valotone 21 CC all “competed” in the procurement process for this order. The prices submitted by each of these entities for the eight (8) Garmins are detailed hereunder:

G14a|1

Unite Mzansi Trading	Valotone 21 CC	Kaseev Traders
R76,000	R78,000	R79,600

G14a|1

- 18.031 These eight (8) Garmins were purchased by Unite Mzansi Trading from Hirsch Stores at a cost of R22,399.92 (**Document No. 50297**) which means that they made a profit of R53,600.08 (or a profit margin of 239%) on the sale of these eight items to the SAPS. Effectively, this means that each Garmin was sold to the police for R9,500 a unit although the market related price thereof is R2,799.99. Hence, Unite Mzansi Trading realised a gross profit margin of R6,700.01 (239%) for each of these units sold to the SAPS.

G19|4

- 18.032 I would expect a reasonable person, and more so someone who is involved in supply chain management, to be aware of the market related prices of the items they are procuring and, if the item is not specialised, as in this case, to be able to apply that knowledge to their purchases.

- 18.033 Narainpershad, by appending what appears to be his signature, has indicated on the procurement authority submission that he has checked and verified the documents, in addition to certifying that the charges were fair and reasonable when authorising the payment and clearly, this is not the case whilst Madhoe, by appending his signature on the submission, appears to have approved the order.

G14a|1

G14|1

PwC

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- 18.034 I can only conclude from their behaviour that they were colluding with Panday and his related entities to ensure that they would always win the work without taking into consideration the requirements of section 217 of the Constitution of South African and the SAPS's own SCM policies as detailed in the SCM manual.
- 18.035 As a result, they have mislead the police that the prices quoted and invoiced were fair and reasonable and further that the procurement process was fair, equitable, transparent, cost effective and competitive when it was not and as a result, the police have been prejudiced in the amount of R53,600.08.
- 18.036 To also reaffirm the non competitive and collusive practises of Panday's related entities, I refer to previous discussions regarding the entries that appeared in Tasleem Rahiman's record counter book, specifically Record 11 on page 129 of my report (**Document No. 19120**) where she has indicated that Panday requested her *"to prepare two sets of quotes; one where Bravosat wins and one where Valotone wins"*. Although none of these entries relate to Unite Mzansi Trading, it is clear that the practise of collusion was performed by Panday for other Garmins that were sold to the police through other related entities and this supports my conclusions discussed in this report.

A3|94

**Analysis of Unite Mzansi Trading Invoices**

G4

- 18.037 My detailed findings and analysis of documents relating to Unite Mzansi Trading is included as an annexure to my report titled "PwC Analysis of documents" and therefore, for ease of reference, I shall not discuss each of these orders in the detailed content of this report but would instead direct the reader of my report to this schedule.

G4

PwC

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18.038 I can conclude from this analysis that orders, in aggregate, R863,122.06 were given to Unite Mzansi Trading by the SAPS while I have determined that their aggregate cost of sales in respect of these orders is R232,995.40. Therefore, Unite Mzansi Trading realised a gross profit of R630,126.66 or 270% on these orders.

G4

18.039 A summary of Unite Mzansi Trading's selling price, cost of sales, gross profit and gross profit percentage is detailed hereunder:

G4

PwC ID	Order No	Selling Price	Cost of Sales ( R )	Gross Profit ( R )	Gross Profit %	
1	AD339888	198,765.00	58,108.77	140,656.23	242	G5
2	AD341727	14,288.76	4,762.92	9,525.84	200	G6
3	AD341733	6,900.00	1,559.97	5,340.03	342	G7
4	AD341764	18,000.00	3,078.00	14,922.00	485	G8
5	AD341767	2,212.74	778.62	1,434.12	184	G9
6	AD341768	2,455.56	501.60	1,953.96	390	G10
7	AD341773	142,500.00	46,600.50	95,899.50	206	G11
8	AD341777	142,500.00	46,600.50	95,899.50	206	G15
9	AD341774	195,000.00	30,000.00	165,000.00	550	G12
10	AD341775	48,000.00	14,400.00	33,600.00	233	G13
11	AD341776	76,000.00	22,399.92	53,600.08	239	G14
12	AE017154	16,500.00	4,204.60	12,295.40	292	G16
<b>Total</b>		<b>863,122.06</b>	<b>232,995.40</b>	<b>630,126.66</b>	<b>270</b>	

18.040 Included in the aforementioned twelve (12) orders are five (5) orders that were awarded to Unite Mzansi Trading, which orders are included in the twenty three (23) procurement authority submissions that I have discussed in preceding paragraphs of my report which I shall not repeat other than to say that , in respect these orders, Unite Mzansi Trading, Valotone 21 CC and Kaseev Traders all "competed" against each other, and as a result of this behaviour, they created the false impression that there was competitive bidding when in fact there was none.

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- 18.041 This is further supported by Unite Mzansi Trading's cost of sales in respect of the items sold to the SAPS and their gross profit margins realised in respect of these sales, which margins varied between 206% and 550%. A summary of Unite Mzansi Trading's selling price, cost of sales, gross profit and gross profit percentage for these five (5) orders are detailed hereunder:

PwC ID	Order No	Selling Price	Cost of Sales ( R )	Gross Profit ( R )	Gross Profit %	
7	AD341773	142,500.00	46,600.50	95,899.50	206	G11
8	AD341777	142,500.00	46,600.50	95,899.50	206	G15
9	AD341774	195,000.00	30,000.00	165,000.00	550	G12
10	AD341775	48,000.00	14,400.00	33,600.00	233	G13
11	AD341776	76,000.00	22,399.92	53,600.08	239	G14
		604,000.00	160,000.92	443,999.08	278	

- 18.042 Three (3) of these orders<sup>1</sup> have already been discussed in preceding paragraphs of this report and I shall not repeat the content thereof other than to say that these three entities created the false impression of competitive bidding practises, whilst the prices for which the police paid for these goods were not market related or cost effective. This supports my earlier conclusions that the procurement process followed was not fair, equitable, transparent, competitive, and cost effective.
- 18.043 This is evident based on the fact that the total cost to the police for these five (5) orders was R604,000 whilst Unite Mzansi Trading's cost of sales for these same items was only R160,000.92. This means that the SAPS paid R443,999.08 (278%) more for these items than they should have.

<sup>1</sup> AD341773 , AD341777 and AD341774.

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- 18.044 Narainpershad, appears to have certified all the payment vouchers in respect of these orders and in by doing so has, *inter alia*, certified that the prices tendered by Unite Mzansi Trading were fair and reasonable. He has also verified, by appending what purports to be his signature, all the documents received during the procurement process whilst Madhoe appears to have approved these purchases.

**Summary of Findings**

- 18.045 Unite Mzansi Trading were issued twelve (12) orders by the SAPS SCM Unit in KwaZulu-Natal which in aggregate amount to R863,122.06.
- 18.046 Of these twelve (12) orders, five (5), in the aggregate amount of R604,000, have been reconciled to procurement documents which documents show that Unite Mzansi Trading, Valotone 21 CC and Kaseev Traders all competed against each other and therefore, were colluding by representing that there was a complete bidding process when there was none.
- 18.047 Of the aforementioned five (5) orders, Madhoe, by appending what appears to be his signature on the submission, has authorised the procurement of all goods from Unite Mzansi Traders whilst the procurement authority submission indicates that these documents were verified by Narainpershad as he appears to have appended his signature to the submission.
- 18.048 All twelve (12) payments to Unite Mzansi Trading were certified for payment by Narainpershad who validated, when he appended, what appears to be, his signature to these documents, that the goods charged to the police were fair and reasonable.
- 18.049 Analysis of the cost price of these items revealed that the prices charged by Unite Mzansi Trading were not fair and reasonable. In fact, Unite Mzansi Trading's gross profit margin on these purchases varied between 184% to 550%.

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## 19.000 BRAVOSAT 25 CC

F1 – F

## Introduction

19.001 The Polfin records indicate that, between the period 1 January 2010 to 7 April 2010, the SAPS paid into Bravosat 25 CC ABSA Bank account No. 4075017197, in aggregate, R2,079,468.70. A summary of these orders and payments are detailed hereunder:

PwC ID	Order Date	Order No	Date Paid	Date Deposited	Amount ( R )	Note
1	15/12/2009	AC910585	01/01/2010	13/01/2010	93,000.00	
2	15/12/2009	AC910587	01/01/2010	13/01/2010	46,500.00	
3	15/12/2009	AC910588	01/01/2010	13/01/2010	27,000.00	
4	15/12/2009	AC910591	01/01/2010	13/01/2010	144,000.00	
5	15/12/2009	AC910594	01/01/2010	13/01/2010	99,900.00	
6	15/12/2009	AC910596	01/01/2010	13/01/2010	56,250.00	
7	16/02/2010	AD338681	20/02/2010	24/02/2010	45,000.00	
8	16/02/2010	AD338741	03/03/2010	09/03/2010	99,950.00	
9	26/01/2010	AD338744	03/03/2010	09/03/2010	92,500.00	
10	26/01/2010	AD338746	07/04/2010	09/04/2010	91,000.00	
11	26/01/2010	AD338748	03/03/2010	09/03/2010	97,500.00	
12	26/01/2010	AD338750	03/03/2010	09/03/2010	1,250.00	
13	26/01/2010	AD339852	07/04/2010	09/04/2010	23,000.00	
14	26/01/2010	AD339854	07/04/2010	09/04/2010	109,500.00	
15	09/02/2010	AD339874	07/04/2010	09/04/2010	49,500.00	
16	09/02/2010	AD339875	07/04/2010	09/04/2010	99,500.00	
17	09/02/2010	AD339876	07/04/2010	09/04/2010	95,000.00	
18	09/02/2010	AD339877	07/04/2010	09/04/2010	25,000.00	
19	09/02/2010	AD339878	07/04/2010	09/04/2010	120,000.00	
20	09/02/2010	AD339879	07/04/2010	09/04/2010	122,500.00	
21	09/02/2010	AD339880	07/04/2010	09/04/2010	166,500.00	
22	09/02/2010	AD339881	07/04/2010	09/04/2010	155,000.00	
23	09/02/2010	AD339882	07/04/2010	09/04/2010	99,500.00	
24	09/02/2010	AD339656	07/04/2010	09/04/2010	9,576.00	
25	09/02/2010	AD339657	07/04/2010	09/04/2010	21,570.00	
26	09/02/2010	AD339658	07/04/2010	09/04/2010	20,609.82	
27	09/02/2010	AD339659	06/05/2010	11/05/2010	39,588.00	
28	09/02/2010	AD339661	07/04/2010	09/04/2010	6,599.88	
29	09/02/2010	AD339662	06/05/2010	11/05/2010	17,887.00	
30	09/02/2010	AD339664	07/04/2010	09/04/2010	4,788.00	
<b>Total</b>					<b>2,079,468.70</b>	

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PwC

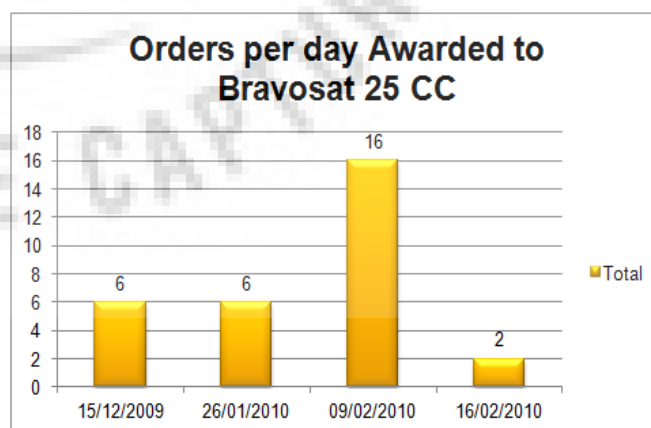
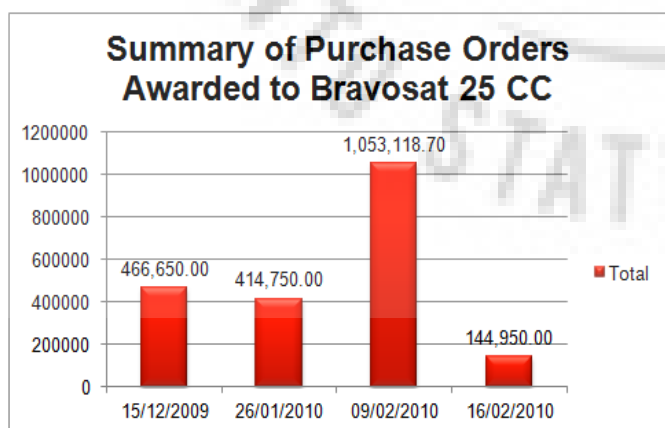
References in the margin refer as follows:

(A - H) prefix - Annexure Number



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- 19.002 I have not been able to determine the supply chain procedures that were performed by the police in respect of the abovementioned orders that were awarded to Bravosat 25 CC and therefore, I cannot conclude on whether these procedures were fair, transparent, competitive and cost effective.
- 19.003 I have already mentioned earlier in my report the evidence contained in the record counter book of Tasleem Rahiman that there are various references to the fact that she was instructed to prepare different sets of quotations for Valotone 21 CC and Bravosat 25 CC and where she indicated that for each set of quotations either entity should win. In this regard, I refer to Record 11<sup>1</sup> (on page 129) to Record 14 (on page 130) where these specific entries have already been discussed and therefore, they shall not be repeated. **A3|94**  
**A3|97**
- 19.004 Based on the aforementioned entries, I would concluded that the intention of Panday was to prepare quotations to ensure that the respective entities were the most cost effective bidder and thereby recommended as the successful supplier to be awarded the order. This would also indicate that the procurement of goods and services from Bravosat 25 CC was not fair, transparent, competitive and cost effective. **A3|94**  
**A3|97**
- 19.005 A summary of the orders awarded to Bravosat 25 CC as detailed in the abovementioned table is graphically illustrated hereunder:



<sup>1</sup> The order for the Garmins Nuvi 1410 is discussed in paragraphs 19.031 to 19.038.



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19.006	This means that all thirty (30) orders awarded to Bravosat, between the period 15 December 2009 to 16 February 2010, were awarded on four days namely 15 December 2009, 26 January 2010, 9 and 16 February 2010.	F5 – F10 F11 - F12 F13 – F18 F19 – F34
19.007	The payment order transactions held by SAPS Finance indicates that, for each of these orders, Narainpershad has certified that the amounts invoiced are fair and reasonable by appending what appears to be his signature to each of these documents. An example of this certificate is illustrated in Record 88 on page 236 of my report.	F5 1 – F34 1
19.008	These orders were awarded to Bravosat 25 CC during the same period when Narainpershad and Madhoe received gifts from Panday as discussed in paragraphs 15.000 to 15.020 of my report.	
<b>Analysis of Supplier Invoices</b>		
19.009	I have reconciled, where available, some of the Bravosat 25 CC invoices held in Panday's records to the orders issued to Bravosat 25 CC with the objective of determining the cost price to this entity and their profit margins. Some of my findings in relation to this analysis are discussed hereunder:	F4
	<b>Order No.AD339881 – R155,000 – Heavy Duty Belts</b>	F26
19.010	Order No. AD339881 was awarded to Bravosat 25 CC for 100 heavy duty belts in the amount of R155,000 on 9 February 2010. ( <b>Document No. 132728</b> ). Bravosat 25 CC have issued invoice No.10018 dated 9 February 2010 for R155,000 for the supply of 100 heavy duty belts ( <b>Document No. 12727</b> ). The invoice and order is dated the same i.e.9 February 2010 which indicates that the order and invoice was issued on the same day. Both these documents have the SCM date stamp appended thereon which is also dated 9 February 2010.	F26 1 F26 2
19.011	I would also like to point out that Bravosat 25 CC invoice No. 10018 is dated 8 February 2010 however, someone has amended the date by deleting it and rewriting the date as 9 February 2010. This is illustrated in Record 94 below:	F26 2

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## Record 94

Invoice Number: 10018Date: 08 February 2010

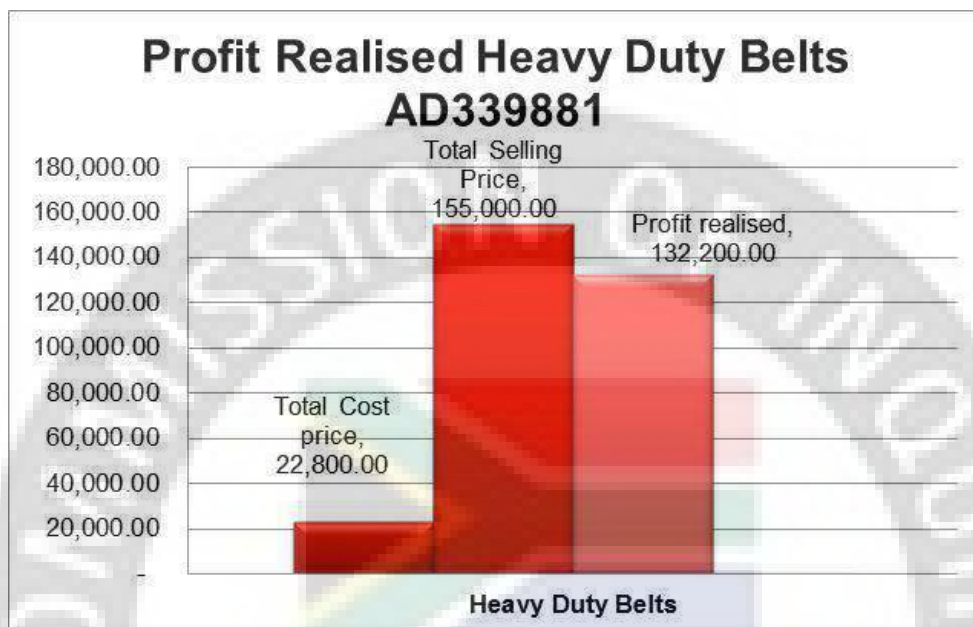
- 19.012 The discovery of the abovementioned change indicates that the SAPS SCM issued Bravosat with an order on 9 February 2010 and, on the same day, received their invoice for payment. This indicates that the order and delivery took place on the same day. It would be unusual for a supplier to have been issued with an order and supplied the goods both on the same day especially when the items requested is not a stock item or something that they have readily available. From the examination of all items supplied by Panday's related entities to the SAPS, I can conclude that they do not appear to specialise in any specific commodity but instead supply anything on demand. F26|1  
F26|2
- 19.013 I have also identified an invoice No. 118 from Imperial Armour for the supply of 100 "heavy duty belts with torch pouch" in the records of Panday for R22,800 including VAT. This invoice is dated 26 January 2010 and is in favour of Goldcoast Trading marked for the attention of Panday (**Document No. 25381**). This means that Panday knew in advance that he would win the work and therefore, procured the belts from Imperial Armour before the order was issued to him. F26b|1
- 19.014 I have also determined from the documentation provided that only Bravosat 25 CC had been given an order to supply heavy duty belts and therefore, have reconciled the abovementioned invoice from Imperial Armour to order No. AD339881. F26|1

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- 19.015 This means that Bravosat 25 CC made a gross profit of R132,000 on the supply of these belts to the SAPS or a 579.82% profit margin which can be summarised as follows:



- 19.016 It would also be reasonable to conclude that, because the invoice from Imperial Armour is drawn in favour of Goldcoast Trading and the description of items were invoiced to the SAPS by Bravosat 25 CC, there is a relationship between Bravosat 25 CC and Panday.

**AD338746 – R91,0000 – Yamaha Generators**

F14|1

- 19.017 Order No. AD338746 was awarded to Bravosat 25 CC for the supply of a 10Kva Yamaha EF13000TE generator in the amount of R91,000 on 26 January 2010 (**Document No. 12682**). Bravosat 25 CC have issued invoice No.10028 dated 8 February 2010 for R91,000 to the SAPS for the supply of a generator – 10 KVA Yamaha EF1300 (**document No. 12681**).

F14|1

F14|2

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19.018 I have located, amongst the documents seized from Panday, a tax invoice from Hire It (Pty) Ltd bearing invoice No. 112521 for five (5) generators in the amount of R113,430 (including VAT) which invoice is addressed to Goldcoast Trading and Panday (**Document No. 25131**). The unit price of each of these generators is R19,900 (excluding VAT) or R22,686 (including VAT).

F14b|1

19.019 The SAPS have obtained an affidavit from Mr Douglas Fraser, a Director of Hire It (Pty) Ltd, who has annexed to his affidavit the following:

F35|1

No.	Description of Document	Annexure No.
1.	Hire It (Pty) Ltd tax invoice No. 112521 in favour of Goldcoast Trading for R113,430 (inclusive of VAT)	DF1
2.	Hire It (Pty) Ltd Debtors Transaction Report dated 29 January 2010 for Goldcoast Trading.	DF2
3.	Bank statement for Hire It (Pty) Ltd for account No. 1025762921 reflecting a cash deposit of R133,430 on 29 January 2010 that purports to originate from Goldcoast Trading.	DF3

F35|3

F35|4

F35|5

19.020 I have examined the invoice from Hire It (Pty) Ltd and have determined that they have sold to Goldcoast Trading, 5 Yamaha EF1200E generators at a cost of R22,686 a unit which, in aggregate, amounted to R113,430

F35|3

19.021 Based on the cost price of each generator, I can conclude that Bravosat 25 CC has realised a gross profit of R68,314 for each generator sold to the SAPS. This equates to profit margin of 301%<sup>1</sup>.

F35|3

19.022 I have also determined from the records provided by the SAPS that the remaining four generators were also sold to the SAPS by Panday's related entities. A summary of these transactions are detailed hereunder:

<sup>1</sup> = 100 x (91,000 – 22,686) ÷ 22,686 = 301.13%

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Supplier	Order No	No Of Units	Selling Price ( R )	Cost ( R )	Profit ( R )	Profit Margin %
Bravosat 25 CC	AD338746	1	91,000	22,686	68,314	301%
Bravosat 25 CC	AD338744	1	92,500	22,686	69,814	308%
Valotone 21 CC	AD338743	1	90,000	22,686	67,314	297%
Valotone 21 CC	AD338745	1	91,050	22,686	68,364	301%
Goldcoast Trading	AD338742	1	93,250	22,686	70,564	311%
<b>Total</b>		<b>5</b>	<b>457,800</b>	<b>113,430</b>	<b>344,370</b>	<b>304%</b>

F14

F13

E14

E15

H9

- 19.023 Based on the aforementioned information, I can conclude that Panday has procured, in the name of Goldcoast Trading, the generators from Hire It (Pty) Ltd at a cost price of R113,430 (**Document No. 25131**) and sold them to the SAPS at an aggregate selling price of R457,800. This means that he made a total profit of R344,370 and his profit margin was 304% **F14b|1**
- 19.024 I can also confirm from the content of Record 27, as discussed on page 136 of my report, that, in the record counter book maintained by Tasleem Rahiman, it has been recorded in this book the number of generators sold to the SAPS and the unit price of each sale which amounts corroborate to the selling price detailed in paragraph 19.022 above. **A3|139**
- 19.025 It is also recorded in item number 5 of Record 27 (**Document No. 19165**) that Goldcoast Invoice No. 10067 should be prepared for the sale of a generator. I can confirm from the examination of order No. AD338742 that the invoice number issued to the police by Goldcoast Trading for the generator is invoice No. 10067 (**Document No.11639**) which corroborates the entry appearing in the abovementioned record number. **A3|139**  
**H9a|2**

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- 19.026 I can also conclude that the entry appearing in the abovementioned record number indicates that Tasleem Rahiman had prepared all the documentation relating to the sale of generators and furthermore, that Captain Ash had received these documents and all was in order. This would indicate that Captain Ash, or Narainpershad, was satisfied with the procurement of the generators whilst he would also have been aware of the relationship between Panday's related entities since the procurement appears to have been done simultaneously as the order numbers are sequential and are all dated 26 January 2010.
- 19.027 The procurement documentation in relation to each of these purchases is not available and therefore, I cannot determine what procedures, if any, were followed by SAPS when procuring the goods from the suppliers in question. If the lack of such documentation suggests that, the items procured were done on a single quotation it would be necessary for the police personnel involved with the process to have ensured that the prices were fair and reasonable. This clearly is not the case since the market related price of the five generators was R113,430 and yet they were sold to the police at a profit of 304% or R457,800.
- 19.028 Narainpershad has also certified when approving the payments for these generators, by appending what appears to be his signature, that the prices invoiced were fair and reasonable. It is my submission from the examination of the cost price of these goods that the prices at which they were sold to the police were not fair and reasonable.
- 19.029 I can also confirm that the period when all these payments were made to Panday's related entities was during the same period when Panday paid for certain benefits for both Narainpershad and Madhoe.
- F14|1**  
**F13|1**  
**E14|1 & E15|1**



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- 19.030 The bank statement annexed to Mr Douglas Fraser's affidavit as per Annexure DF3 indicates that Hire It (Pty) Ltd's account was credited in the amount of R133,430 on 29 January 2010. I have identified in the records of Panday an ABSA Bank cash deposit slip for R113,430 which deposit was paid into Hire It (Pty) Ltd's account number 1025762921 on 29 January 2010 (**Document No. 25130**). F35|5  
F14b|2  
F13b|2
- AD338741 – R99,950 – Garmin Nuvi 1410** F12
- 19.031 Order number AD338741 was awarded to Bravosat 25 CC for the supply of ten (10) Garmin Nuvi 1410 GPS units in the amount of R99,950 (**Document No. 12715**). Bravosat 25 CC have issued invoice No. 10022 in the amount of R99,950 (**Document No. 12714**) for the supply of ten (10) Garmin Nuvi 1410 at a cost of R9,995 per unit. F12|1  
F12|2
- 19.032 I have located amongst Goldcoast Trading exhibits a proforma invoice from Hirsch Appliances dated 25 January 2010 in the amount of R146,400 which invoice was for, *inter alia*, 20 Garmin Nuvi 1410 (**Document No. 25153**) which items cost to Bravosat 25 CC was R3,600 a unit. This invoice is also made in favour of Goldcoast Trading whilst Panday's email address is also appended thereon. F12b|1
- 19.033 Goldcoast Trading's records also contain a Standard Bank cash deposit slip in the amount R146,400 dated 29 January 2010. The account into which the payment was made is recorded thereon as Hirsch B Trust, whilst the reference appearing on this deposit slip is "*Goldcoast Trading*." I am unable to determine the identity of the depositor. F12b|2
- 19.034 The procurement authority submissions for the procurement of these Garmins from Bravosat 25 CC are not available, neither are they included in the twenty three (23) submissions that I have already discussed in preceding paragraphs of my report.

PwC



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- 19.035 However, I can confirm from the entries that appear in the Waltons record counter book of Tasleem Rahiman, specifically Record 11 on page 129, that she has recorded therein that Panday had requested that she redo the quotes for Bravosat 25 CC and Valotone 21 CC, for the supply of Garmin GPS units, where each of them would win. The fact that she was preparing quotations that enabled either party to win indicates that she had to be manipulating the quotations to ensure that the outcome requested by Panday, namely that either party wins, would be achievable. Hence, by providing the police with three quotations to create the impression that there was competitive bidding. **A3|94**
- 19.036 I have already discussed in preceding paragraphs of this report<sup>1</sup> the order that was awarded to Valotone 21 CC for the supply of ten (10) Garmin Nuvi 1410 GPS units which order (AD338740) was for R100,000. This means that the above-mentioned entry that appears in the Waltons counter book of Tasleem Rahiman is true in that both these entities received orders to supply ten (10) Garmin Nuvi 1410 GPS units each. **E13**
- 19.037 Bravosat 25 CC made a gross profit of R63,950 or 178% on the sale of these ten (10) Garmin Nuvi 1410 to the SAPS alternatively a gross profit of R6,395 or 178% on each Garmin that was sold to the SAPS.
- 19.038 Narainpershad has certified the payment to Bravosat 25 CC by appending what appears to be his signature to the certificate on the payment transaction form and, by doing so, he has certified that the prices invoiced for these Garmins were fair and reasonable when they were not. Therefore, this misrepresentation to the SAPS has resulted in them paying R63,950 more for these Garmins than they should have. **F12|1**

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<sup>1</sup> Refer to paragraph 17.017 to 17.021.

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## Analysis of Bravosat 25 CC Profit Margins

F4

19.039 My detailed findings and analysis of documents relating to Bravosat 25 CC is included as an annexure to my report titled “PwC Analysis of documents” and therefore, for ease of reference, I shall not discuss each of these orders, other than those already discussed in preceding paragraphs of my report, but would instead direct the reader of my report to this schedule.

F4

19.040 Detailed hereunder is a summary of Bravosat 25 CC’s selling price, cost, gross profit and gross profit percentages for each of the thirty (30) orders that were awarded to them by the SAPS:

PwC ID	Order No	Selling Price ( R )	Cost ( R )	Gross Profit ( R )	Gross Profit %	Note
1	AC910585	93,000.00	40,140.00	52,860.00	132	
2	AC910587	46,500.00	17,400.00	29,100.00	167	
3	AC910588	27,000.00	9,000.00	18,000.00	200	
4	AC910591	144,000.00	58,140.00	85,860.00	148	
5	AC910594	99,900.00	45,120.00	54,780.00	121	
6	AC910596	56,250.00	25,137.00	31,113.00	124	
7	AD338681	45,000.00	5,415.00	39,585.00	731	
8	AD338741	99,950.00	36,000.00	63,950.00	178	
9	AD338744	92,500.00	22,686.00	69,814.00	308	
10	AD338746	91,000.00	22,686.00	68,314.00	301	
11	AD338748	97,500.00	26,000.00	71,500.00	275	
12	AD338750	1,250.00				(02)
13	AD339852	23,000.00	9,544.08	13,455.92	141	
14	AD339854	109,500.00	37,200.00	72,300.00	210	
15	AD339874	49,500.00	15,960.00	33,540.00	144	
16	AD339875	99,500.00	31,350.00	63,650.00	203	
17	AD339876	95,000.00	11,172.00	13,828.00	124	
18	AD339877	25,000.00	52,725.00	67,275.00	128	
19	AD339878	120,000.00	55,150.00	67,350.00	122	
20	AD339879	122,500.00	66,975.00	99,525.00	149	
21	AD339880	166,500.00	22,800.00	132,200.00	580	
22	AD339881	155,000.00	41,500.00	58,000.00	140	
23	AD339882	99,500.00				(02)
24	AD339656	9,576.00				(02)
25	AD339657	21,570.00				(02)
26	AD339658	20,609.82				(02)
27	AD339659	39,588.00				(02)

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PwC

References in the margin refer as follows:

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PwC ID	Order No	Selling Price ( R )	Cost ( R )	Gross Profit ( R )	Gross Profit %	Note
28	AD339661	6,599.88				(02)
29	AD339662	17,887.00				(01)(02)
30	AD339664	4,788.00				(02)
<b>Total</b>		<b>2,079,468.70</b>	<b>652,100.08</b>	<b>1,205,999.92</b>		

F32  
F33  
F34

<b>Total of Reconcilable items</b>	<b>1,858,100.00</b>	<b>652,100.08</b>	<b>1,205,999.92</b>	<b>185</b>
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**NOTE**

(01) Only a few items appearing of Bravosat 25 CC's invoice could be reconciled to supplier invoices. I therefore excluded the gross profits in respect of this order as I cannot conclusively determine their gross profit margin on the majority of items listed on their invoice.

(02) I have not been able to identify Bravosat 25 CC supplier invoices for these specific orders and therefore, I cannot determine their cost of sales and gross profit margins realised on these specific orders.

19.041 I have been able to reconcile R1,858,100.00 of the R2,079,468.70 that was paid to Bravosat 25 CC for the thirty (30) orders that were awarded to them to their cost of sale invoices, which amounted to R652,100.08. This means that Bravosat 25 CC made an aggregate gross profit of R1,205,999.92 on the R1,858,100 that was invoiced to the SAPS or 183%.

19.042 Bravosat 25 CC's profit margins in respect of the reconcilable cost of sale invoices to orders awarded to them by the SAPS varied from between 121% to 580%.

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### Summary of findings

- 19.043 Bravosat 25 CC were issued thirty (30) orders by the SAPS SCM Unit in KwaZulu-Natal which, in aggregate, amount to R2,079,468.70. I have been able to reconcile their cost of sale invoices in respect of R1,858,100 of these orders and have determined from this reconciliation that their cost of sales amounted to R655,700. As a result, Bravosat 25 CC made a gross profit of R1,192,399.92 or (183%).
- 19.044 I have not been able to determine what procurement procedures were followed, if any, in the awarding of these thirty (30) orders to Bravosat 25 CC as there are no SAPS procurement authority submissions available for any of these thirty (30) orders. As a result, I cannot conclude on whether there was competitive bidding in each of these instances.
- 19.045 However, it is evident from the records of Tasleem Rahiman that she was instructed by Panday to redo quotations for Bravosat 25 CC and Valotone 21 CC to ensure that each of them would win the work to supply ten (10) Garmin Nuvi GPS units to the SAPS. Based on this entry (Record 11), it would therefore be reasonable to conclude that there was not competitive bidding as both these entities won the work to supply these Garmin GPS units to the police, and therefore, she had to have prepared the quotations for the unsuccessful suppliers in order to ensure that either of these two entities won the work.
- 19.046 It is also evident from some of the cost of sale invoices for some of the items procured for the SAPS by Bravosat 25 CC that these cost of sale invoices were prepared in favour of Goldcoast Trading whilst it has also been observed from the analysis of their bank statements that the only money credited to their account originated from the SAPS and R100,000 from Goldcoast Trading. This would also indicate that the Bravosat 25 CC's only client was the SAPS.

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- 19.047 A significant portion of these credits (72%) was transferred to the bank account of Goldcoast Trading whilst a further R220,100 was paid into the bank account of Panday. This therefore, reaffirms my earlier conclusions that Bravosat 25 CC is one of Panday's related entities and therefore, they, with the assistance of Narainpershad and Madhoe, misled the police into believing that the procurement process followed was fair, equitable transparent, competitive, and cost effective in addition to the fact that there was competitive bidding when in fact there was none.
- 19.048 Bravosat 25 CC is related to Panday whilst documents show that, for example, the purchase of the five generators was made from Hire It (Pty) Ltd, but the suppliers invoice is made in favour of Goldcoast Trading although these generators were sold to the SAPS by Bravosat 25 CC (2 units), Valotone 21 CC (2 units) and Goldcoast Trading (1 unit). The cost price of these generators, in aggregate, was R113,430 but were sold to the SAPS for R457,800. Hence, the profit margins realised were in aggregate 304% although the profit margins realised by Bravosat 25 CC for these same items was 301% and 308%.
- 19.049 There is also evidence in the record counter book maintained by Tasleem that the sale of these generators were allocated to the three different entities above and that Narainpershad was satisfied with the invoices. It would therefore be reasonable to conclude that he would have been aware of the relationship between these entities and therefore, knew that competitive bidding was non-existent.
- 19.050 The thirty (30) orders that were awarded to Bravosat 25 CC by the SAPS were done over the same period when Panday paid for certain benefits for both Narainpershad and Madhoe, which benefits vary from the payment of accommodation at various hotels to the payment of university fees or the purchase of a motor vehicle.

**C4a|6**

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- 19.051 Bravosat 25 CC and or Goldcoast Trading and or Panday procured the Heavy duty belts that were supplied to the police as per order No. AD339881 before the order was issued to them by the police. This indicates that Panday knew in advance that he would win the work and therefore, he was able to procure the items in advance without the risk of losing the quote in respect of this order.



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**20.000 GOLDCOAST TRADING****H1 - H****Introduction**

20.001 The Polfin records indicate that, between the period 17 December 2009 to 6 August 2010, the SAPS paid into Goldcoast Trading's Nedbank account No. 1442016728 in aggregate, R39,336,283. A summary of these orders and payments are detailed hereunder:

**H3**

PwC ID	Order No	Order Date	Date Paid	Date Deposited	Amount Paid ( R )	Notes
1	AD336684	02/12/2009	17/12/2009	22/12/2009	24,500	(01)
2	AD337271	22/10/2009	05/11/2009	20/11/2009	28,800	(01)
3	AD337283	16/11/2009	03/12/2009	08/12/2009	48,900	(01)
4	AD338742	26/01/2010	07/04/2010	09/04/2010	93,250	(01)
5	AD339851	26/01/2010	07/04/2010	09/04/2010	4,000	(02)
6	AD333657	25/06/2010	08/07/2010	13/07/2010	10,200	(03)
7	AD333657	25/06/2010	08/07/2010	13/07/2010	134,300	(03)
8	AD333657	25/06/2010	08/07/2010	13/07/2010	1,880,400	(03)
9	AD333657	25/06/2010	08/07/2010	13/07/2010	2,640,600	(03)
10	AD333657	25/06/2010	08/07/2010	13/07/2010	1,342,700	(03)
11	AD333657	25/06/2010	08/07/2010	13/07/2010	1,866,300	(03)
12	AD333657	25/06/2010	08/07/2010	13/07/2010	790,500	(03)
13	AD333657	25/06/2010	08/07/2010	13/07/2010	2,766,400	(03)
14	AD333657	25/06/2010	08/07/2010	13/07/2010	1,726,050	(03)
15	AD333657	25/06/2010	08/07/2010	13/07/2010	2,816,550	(03)
16	AD333657	25/06/2010	08/07/2010	13/07/2010	1,742,200	(03)
17	AD333657	25/06/2010	08/07/2010	13/07/2010	2,613,300	(03)
18	AD333657	25/06/2010	08/07/2010	13/07/2010	1,742,200	(03)
19	AD333657	25/06/2010	28/07/2010	30/07/2010	1,904,400	(03)
20	AD333657	25/06/2010	28/07/2010	30/07/2010	1,291,150	(03)
21	AD333657	25/06/2010	28/07/2010	30/07/2010	892,500	(03)
22	AC910570	10/11/2009	19/11/2009	24/11/2009	131,250	(02)
23	AD339685	19/04/2010	22/04/2010	28/04/2010	31,600	(02)
24	AD339686	19/04/2010	22/04/2010	28/04/2010	28,000	(02)
25	AD339965	16/04/2010	22/04/2010	28/04/2010	199,800	(02)
26	AD341711	22/04/2010	06/05/2010	11/05/2010	112,500	(02)

**H6****H7****H8****H9****H10****H12a|19****H12a|20****H12a|21****H12a|22****H12a|23****H12a|24****H12a|25****H12a|26****H12a|27****H12a|28****H12a|13****H12a|14****H12a|15****H12a|7****H12a|8****H12a|9****H14****H15****H16****H17****H19**

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PwC ID	Order No	Order Date	Date Paid	Date Deposited	Amount Paid ( R )	Notes	
27	AD341712	22/04/2010	06/05/2010	11/05/2010	105,000	(02)	H20
28	AD336693	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H22
29	AD336694	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H23
30	AD338703	22/12/2009	04/01/2010	05/01/2010	181,140	(02)	H24
31	AD338704	22/12/2009	04/01/2010	05/01/2010	30,190	(02)	H25
32	AD338705	22/12/2009	04/01/2010	05/01/2010	61,600	(02)	H26
33	AD338707	22/12/2009	04/01/2010	05/01/2010	73,500	(02)	H27
34	AD338718	04/01/2010	24/02/2010	01/03/2010	73,500	(02)	H28
35	AD338721	04/01/2010	24/02/2010	01/03/2010	73,500	(02)	H29
36	AD338730	13/01/2010	24/02/2010	01/03/2010	73,500	(02)	H30
37	AD338737	19/01/2010	24/02/2010	01/03/2010	73,500	(02)	H31
38	AD339681	16/04/2010	22/04/2010	28/04/2010	118,800	(02)	H32
39	AD339682	16/04/2010	22/04/2010	28/04/2010	137,940	(02)	H33
40	AD339687	19/04/2010	22/04/2010	28/04/2010	113,400	(02)	H34
41	AD339966	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H35
42	AD339967	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H36
43	AD339968	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H37
44	AD339969	16/04/2010	22/04/2010	28/04/2010	73,500	(02)	H38
45	AD341708	22/04/2010	06/05/2010	11/05/2010	75,600	(02)	H39
46	AD341751	22/04/2010	06/05/2010	11/05/2010	75,600	(02)	H40
47	AD341752	22/04/2010	06/05/2010	11/05/2010	75,600	(02)	H41
48	AD341754	22/04/2010	06/05/2010	11/05/2010	27,300	(02)	H42
49	AD336696	16/04/2010	22/04/2010	28/04/2010	120,000	(02)	H44
50	AC910575	24/11/2009	17/12/2009	22/12/2009	131,600	(02)	H46
51	AC910582	11/12/2009	22/12/2009	24/12/2009	127,400	(02)	H47
52	AD338708	22/12/2009	04/01/2010	05/01/2010	127,400	(02)	H48
53	AD338709	22/12/2009	04/01/2010	05/01/2010	135,800	(02)	H49
54	AD338719	04/01/2010	24/02/2010	01/03/2010	126,000	(02)	H50
55	AD338722	04/01/2010	24/02/2010	01/03/2010	126,000	(02)	H51
56	AD338732	13/01/2010	24/02/2010	01/03/2010	126,000	(02)	H52
57	AD338738	19/01/2010	24/02/2010	01/03/2010	126,000	(02)	H53
58	AD339692	21/04/2010	22/04/2010	28/04/2010	126,000	(02)	H54
59	AD339693	21/04/2010	22/04/2010	28/04/2010	126,000	(02)	H55
60	AD339698	21/04/2010	22/04/2010	28/04/2010	126,000	(02)	H56
61	AD339985	22/04/2010	06/05/2010	11/05/2010	108,000	(02)	H57

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62	AD339986	22/04/2010	06/05/2010	11/05/2010	126,000	(02)	H58
63	AD339987	22/04/2010	06/05/2010	11/05/2010	126,000	(02)	H59
64	AD339988	22/04/2010	06/05/2010	11/05/2010	126,000	(02)	H60
65	AD339989	22/04/2010	06/05/2010	11/05/2010	126,000	(02)	H61
66	AD341707	21/04/2010	22/04/2010	28/04/2010	126,000	(02)	H62
67	AD341710	22/04/2010	06/05/2010	11/05/2010	126,000	(02)	H63
68	AD339990	22/04/2010	06/05/2010	11/05/2010	20,400	(02)	H65
69	AD336697	16/04/2010	22/04/2010	28/04/2010	172,800	(02)	H67
70	AD341709	22/04/2010	06/05/2010	11/05/2010	113,400	(02)	H68
71	AD341755	22/04/2010	06/05/2010	11/05/2010	194,400	(02)	H69
72	AD341756	22/04/2010	06/05/2010	11/05/2010	194,400	(02)	H70
73	AD339694	21/04/2010	22/04/2010	28/04/2010	138,530	(02)	H72
74	AD339695	21/04/2010	22/04/2010	28/04/2010	138,530	(02)	H73
75	AD339982	21/04/2010	22/04/2010	28/04/2010	118,740	(02)	H74
76	AD339983	21/04/2010	22/04/2010	28/04/2010	138,530	(02)	H75
77	AD339984	21/04/2010	22/04/2010	28/04/2010	138,530	(02)	H76
78	AD341703	20/04/2010	22/04/2010	28/04/2010	118,740	(02)	H77
79	AD341704	20/04/2010	22/04/2010	28/04/2010	138,530	(02)	H78
80	AC910554	26/10/2009	05/11/2009	20/11/2009	133,280	(02)	H80
81	AC910564	05/11/2009	19/11/2009	24/11/2009	66,640	(02)	H81
82	AC910565	05/11/2009	19/11/2009	24/11/2009	146,688	(02)	H82
83	AC910572	13/11/2009	03/12/2009	08/12/2009	163,800	(02)	H83
84	AC910574	24/11/2009	03/12/2009	08/12/2009	149,760	(02)	H84
85	AC910581	11/12/2009	17/12/2009	22/12/2009	131,040	(02)	H85
86	AC910583	11/12/2009	17/12/2009	22/12/2009	131,040	(02)	H86
87	AD338713	22/12/2009	04/01/2010	05/01/2010	131,600	(02)	H87
88	AD338727	04/01/2010	24/02/2010	01/03/2010	131,040	(02)	H88
89	AD338728	04/01/2010	24/02/2010	01/03/2010	131,040	(02)	H89
90	AD338729	11/01/2010	24/02/2010	01/03/2010	131,040	(02)	H90
91	AD338733	13/01/2010	24/02/2010	01/03/2010	131,040	(02)	H91
92	AD338739	19/01/2010	24/02/2010	01/03/2010	131,040	(02)	H92
93	AD339683	29/01/2010	22/04/2010	28/04/2010	131,040	(02)	H93
94	AD339684	21/01/2010	22/04/2010	28/04/2010	131,040	(02)	H94
95	AD339688	20/04/2010	22/04/2010	28/04/2010	131,040	(02)	H95
96	AD339689	20/04/2010	22/04/2010	28/04/2010	131,040	(02)	H96

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97	AD339690	20/04/2010	22/04/2010	28/04/2010	131,040	(02)	H97
98	AD339691	20/04/2010	22/04/2010	28/04/2010	112,320	(02)	H98
99	AD339978	21/04/2010	22/04/2010	28/04/2010	131,040	(02)	H99
100	AD339979	20/04/2010	22/04/2010	28/04/2010	131,040	(02)	H100
101	AD339981	20/04/2010	22/04/2010	28/04/2010	131,040	(02)	H101
102	AD341706	21/04/2010	22/04/2010	28/04/2010	131,040	(02)	H102
103	AC910573	24/11/2009	03/12/2009	08/12/2009	29,970	(02)	H104
104	AD336695	16/04/2010	22/04/2010	28/04/2010	119,880	(02)	H105
105	AC910552	08/10/2009	05/11/2009	20/11/2009	240,375	(02)	H107
106	AC910569	10/11/2009	03/12/2009	08/12/2009	196,000	(02)	H108
107	AD337273	27/10/2009	19/11/2009	24/11/2009	194,000	(02)	H109
108	AD338701	22/12/2009	04/01/2010	05/01/2010	181,875	(02)	H110
109	AD338702	22/12/2009	04/01/2010	05/01/2010	36,375	(02)	H111
110	AD341748	07/06/2010	17/06/2010	22/06/2010	196,000	(02)	H112
111	AD341702	15/04/2010	22/04/2010	28/04/2010	94,600	(02)	H114
112	AD338710	22/12/2009	04/01/2010	05/01/2010	116,865	(02)	H116
113	AD338711	22/12/2009	04/01/2010	05/01/2010	116,865	(02)	H117
114	AD338712	22/12/2009	04/01/2010	05/01/2010	110,250	(02)	H118
115	AD338723	04/01/2010	24/02/2010	01/03/2010	110,250	(02)	H119
116	AD338720	04/01/2010	24/02/2010	01/03/2010	110,250	(02)	H120
117	AD338731	13/01/2010	24/02/2010	01/03/2010	110,250	(02)	H121
118	AD338736	19/01/2010	24/02/2010	01/03/2010	110,250	(02)	H122
119	AD338699	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H123
120	AD338698	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H124
121	AD336700	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H125
122	AD336699	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H126
123	AD336698	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H127
124	AD339976	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H128
125	AD339974	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H129
126	AD339975	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H130
127	AD339973	19/04/2010	22/04/2010	28/04/2010	110,250	(02)	H131
128	AD339972	19/04/2010	22/04/2010	28/04/2010	94,500	(02)	H132
129	AE017172	26/07/2010	06/08/2010	11/08/2010	170,800	(02)	H133

PwC

References in the margin refer as follows:

(A - H) prefix - Annexure Number

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PwC ID	Order No	Order Date	Date Paid	Date Deposited	Amount Paid ( R )	Notes
130	AD341701	20/04/2010	22/04/2010	28/04/2010	146,400	(02)
131	AD341753	22/04/2010	06/05/2010	11/05/2010	170,800	(02)
<b>Total</b>					<b>39,336,284</b>	

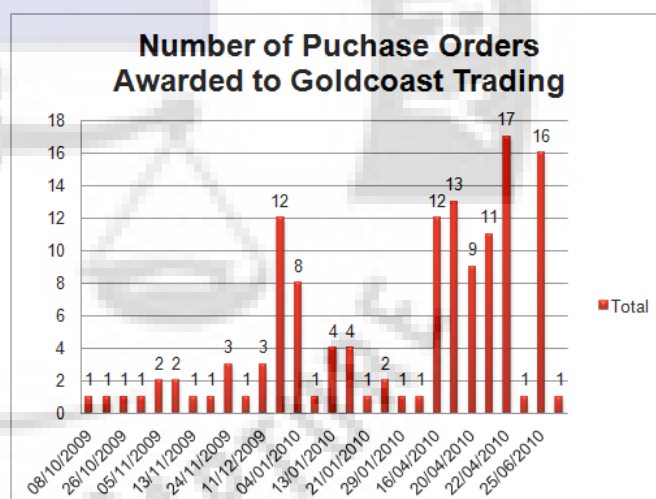
H135

H136

**NOTES**

- (01) All these orders are for the supply of goods which in aggregate amount to R195,450 and are discussed in paragraphs 20.005 to 20.038 of my report.
- (02) All these orders are for accommodation which in aggregate amount to R12,981,083 which are discussed in paragraphs 20.080 to 20.292 of my report.
- (03) This was the order that was issued in respect of accommodation of police members during the SWC which in aggregate amounted to R26,159,750.

20.002 These orders were awarded between the periods 8 October 2009 to 25 June 2010 and is illustrated graphically hereunder:



20.003 A significant amount of the R39,336,283 paid to Goldcoast Trading was for invoices submitted for accommodation although I have determined that R195,450 of the aforementioned amount was for the supply of goods. (An example is the supply of a generator that has already been discussed in previous paragraphs of my report when discussing payments to Bravosat 25 CC<sup>1</sup>).

<sup>1</sup> Refer to paragraphs 19.017 to 19.030.

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20.004 I shall first discuss hereunder the orders awarded to Goldcoast Trading for the supply of various items and thereafter shall discuss the orders relating to accommodation and the SWC.

**ORDERS FOR GOODS**

20.005 Four orders, in the aggregate amount of R195,450, were awarded to Goldcoast Trading between the period 22 October 2009 to 26 January 2010. I have determined that their profit margins realised on the sale of goods to the SAPS varies from 123% to 311% in respect of these orders.

20.006 Goldcoast Trading's highest profit margin, on goods sold to the police, was for the sale of a generator which sale has already been discussed in preceding paragraphs of my report<sup>1</sup> and the content thereof shall not be repeated.

**AD337283 – R48,900**

H8

20.007 The next highest profit margin realised by Goldcoast Trading is for an item sold to the SAPS in respect of order No. AD337283 for R48,900 which order was for the supply of two Sony 40' Bravia TV's (**Document No. 11697**). The documentary evidence indicates that these TV's were purchased from Hirsch for R20,000 on 12 November 2009 (**Document No 25323** and **25322**) and therefore, Goldcoast Trading's profit margin on this specific order is 144.5%.

H8

H8c|12

20.008 The order date was initially recorded on the order payment transaction document as 25 November 2009 however, this date has been amended to 16 November 2009 which date correlates to the invoice date from Goldcoast Trading for invoice No.10007 (**Document No.11696**).

H8a|1

20.009 However, I have compared the handwritten date and the date of the SCM stamp that was appended to the books copy of this order (**Document No. 15052**), to that on the suppliers copy of order No. AD337283, and can confirm that the actual date of the order is 25 November 2009.

H8b|2

<sup>1</sup> Refer to paragraphs 19.017 to 19.030.



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- 20.010 The aforementioned observation would suggest that Goldcoast Trading issued their invoice before the order was issued to them which is further supported by the fact that their invoice does not contain the SAPS order number.
- 20.011 I have also noticed that the invoice from Goldcoast Trading has the SAPS SCM stamp appended thereon which stamp is dated 16 November 2009 (**Document No. 11696**) the same date as the invoice. In spite of these observations, the payment transaction form for this order indicates that the receipt of goods was certified by Shamila Ramdhani on 26 November 2009 and payment was certified by Narainpershad on the same day.
- 20.012 In spite of these inconsistencies with the dates, I have identified an invoice from Hirsch for R20,000 that indicates that Panday's wife (Mrs P Panday) purchased two Sony Bavaria TV's on 12 November 2009 which were, according to the invoice, delivered to 45 Zennith Drive Umhlanga Rocks (**Document No. 25323**).
- 20.013 In addition to the aforementioned invoice, I have also identified in Panday's records a handwritten acknowledgement of receipt dated 12 November 2009 (**Document No. 25324**) which receipt is signed by what appears to be Shamilla Ramdhani. An extract of this acknowledgement of receipt is illustrated in Record 95 below:

## Record 95

12: 11/2009

I SHAMILA RAMDHANI HAS RECEIVED 2x SONY  
BRAVIA T.V. (UNCHECKED) *Shamila Ramdhani*

025324

H8a|2

H8a|1

H8c|1

H8c|5

H8c|5

PwC

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20.014 Based on the content of Record 95, it would be reasonable to conclude that Shamilla Rhamdhani, on behalf of the SAPS, has acknowledged receipt of the two Sony Brava TV's on 12 November 2009 five days before the order was issued to Goldcoast Trading and therefore, it is immaterial whether the order date was 16 or 25 November 2009.

20.015 It is immaterial which date is taken into account on the order as both these dates occurred after Shamilla Ramdhani signed the acknowledgment of receipt for the tvs.

20.016 All the documents held by the SAPS would indicate that the procurement of this specific item was only authorised on 25 November 2009 as this is the date that the financial authority was obtained. This date and the financial authority number 3723073346 is appended on all copies of order No. AD3377283 (**Document No. 11697, 19005 15052**) which is further illustrated below:

## Record 96

v.o.s. - f.o.s.	Tenderaad-magliging Tender Board authority
Spoorwagorder No. Rail Warrant No.	Dept. magliging Dept. authority 19/4/2/121/3
Staanse Spoerwagorder No. Standing Rail Warrant No.	Lêer No. File No. 19/4/2/121/3
By magasin algelewer Delivered into store	Rakwisie No./Voort. Advies No. Requisition No./Prior. Advice No.
Per post By post	Magistyn No. Store No.
Tesourie-magliging Treasury authority 3723073346	Reeks No. Series No. 2009-11-25
Amptelike - Designation PAC	
Handtekening. Beampie wat plasing magtig Signature: Officer authorising placement	

H8a|1

H8c|5

H8a|1

H8a|1, H8b|1,  
H8b|2

H8a|1

PwC



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- 20.017 Record 96 was extracted from the Suppliers Advice of AD 337283 which was located amongst the records of Panday or Goldcoast Trading (**Document No. 19005**). This document includes the date when the financial authority was obtained namely 25 November 2009 and therefore, had the order been issued to Goldcoast Trading on 16 November 2009, as indicated in the SAPS copy of order AD337283 (**Document No. 11697**), then Goldcoast Trading should not have had a copy of the order with this date appended on their document. This therefore indicates that Panday knew in advance to the order date that he would win the work. **H8b|1**
- AD 337271 – R28,800 - Blankets** **H7**
- 20.018 Order No. AD337271 for R28,800 was issued to Goldcoast Trading on 22 October 2009 for the supply of 120 blankets at a cost of R240 a unit (**Document No. 11743**) which Goldcoast Trading invoiced on the same day as per invoice No.10001 (**Document No. 11742**). **H7a|1**  
**H17a|2**
- 20.019 The payment to Goldcoast Trading's was certified by Narainpershad who certified, by appending what appears to be his signature, that the charges were fair and reasonable. I have located amongst the exhibits seized from Panday, invoice No. 13453 from Marine Wholesalers dated 22 September 2009 in favour of Goldcoast Trading for the supply of 120 double mink blankets at R100 a unit. The total invoice is for R12,000 (**Document No. 24876**). Also included with this document is a speed point slip from Marine Wholesalers for R12,000 dated 22 October 2009. This means that Goldcoast Trading's profit margin on the sale of these blankets to the SAPS was R16,800 or 140%. **H7a|1**  
**H7c|1**
- 20.020 An affidavit obtained from Mr Amal Ramharry, self employed at Marine Wholesalers, annexed a copy of Marine Wholesalers Invoice to his affidavit as per **Annexure AR1**. I can confirm that this invoice is the same as that described in the aforementioned paragraph of my report and therefore, shall not be repeated. **H7d|1**  
**H7d|3**

PwC

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20.021 I will also confirm, from the affidavit of Mr Amal Ramharry and the invoice from Marine Wholesalers, that the transaction between Marine Wholesalers and Goldcoast Trading took place on 22 September 2009 i.e. a month before the order No. AD337271 was issued to Goldcoast Trading. This means that Panday knew before the order was awarded to Goldcoast Trading that his company would win the work. (See below)

H7d

20.022 I also identified in the SAPS records three quotations relating to the supply of 120 blankets from the following entities:

No	Date	Supplier	Total	Doc No
1	22/10/2009	Afeefah Investments t/a Bassa's Wholesale	31,848	14769
2	22/10/2009	Mish Mart Holdings (Pty) Ltd	32,000	14770
3	Undated	Goldcoast Trading	28,800	14771

H7b|1

H7b|2

H7b|3

20.023 These three entities have already been discussed in preceding paragraphs<sup>1</sup> of my report and shall not be repeated other than for me to reaffirm that blank copies of these entities letter heads<sup>2</sup> were located amongst Panday's records. Based on this finding, and the fact that they have been used in this instance, it would be reasonable to conclude that he was using these bank letterheads to create false quotations compete against himself in the procurement process with the police, which process should have been fair, transparent, competitive, and cost effective, but it was not. It also means that these quotes were prepared to create the impression of the existence of competitive competition when in fact there was none.

<sup>1</sup> Refer to paragraph 14.057.

<sup>2</sup> Afeefah Investments t/a Bassa's Wholesale (**Document No. 24990**); Mish Mart Holdings (Pty) Ltd (**Document No. 24993**)

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- 20.024 The SAPS procurement process for these blankets from Goldcoast Trading was manipulated with the primary objective of ensuring that Goldcoast Trading would win the work and therefore, there was no competitive bidding. In addition, there would have had to have been collusion between the SAPS representatives who were involved with this process and Panday in order for the above objective to be realised simply because the quotations for all the suppliers discussed in the abovementioned table are all dated 22 October 2009, the same day the order was issued, however, the evidence from Mr Amal Ramharry, and the invoice from Marine Wholesalers, reflects that these blankets were procured by Panday a month before i.e. on 22 September 2009.
- H7b|1-3  
H7d
- 20.025 Taking all the above findings into account, the only reasonable conclusion to be made is that Panday, together with the Narainpershad, Madhoe and other police representatives involved with the procurement process, misrepresented to the SAPS that the procurement process complied with the procedures set out in the SAPS SCM manual and that it was fair, transparent, competitive and cost effective when in fact it was not.
- Order No. AD336684 – R24,500 – Mink Blankets**
- H6
- 20.026 Order No. AD336684 for R24,500 was issued to Goldcoast Trading on 2 December 2009, for the supply of 100 mink blankets at a cost of R245 a unit (**Document No. 12078**) which Goldcoast Trading invoiced on 6 December 2009 per invoice No.10013 (**Document No. 12077**).
- H6a|1  
H6a|2
- 20.027 The dates that have been written on both the order and the invoice have been altered in that the date appearing on order No. AD336684 appears to have been altered from 2 December 2009 to 20 November 2009 and back to 2 December 2009, whilst the invoice has been altered from 27 November 2009 to 6 December 2009. Examples of these alterations are illustrated in Record 97 and Record 98 below respectively:
- H6a|1-2

PwC

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## Record 97

Z 492 (82/860)		SOUTH AFRICAN POLICE SERVICE	
PROVINCIAL: SCM		09-11-30	
Bestellingsdatum	09.12.02	Datumstempel	2009-12-02
Order date	09.12.02	Delivery date	09-12-02
MISSIONER		KWAZULU NATAL	
S-KZN		THE PROVINCIAL COMMISSIONER	

## Record 98

INVOICE NUMBER: 10013

Order Number: AC-

Date: 27-11-2009

H6a|1-2

20.028 I have located amongst Panday's records a number of documents which include invoices, deposit slips and emails which contains evidence of, *inter alia*, the supplier from whom Goldcoast Trading procured the blankets.

20.029 One of documents included in the aforementioned information is invoice No.3 dated 23 November 2009 from Limco Blankets for R11,000 in favour of Goldcoast Trading (**Document No. 24868**). I also identified a delivery note dated 23 November 2009 that was signed by Inspector Els of SAPS Marianhill Crime Combat Team (**Document No. 24869**) however, I am unable to confirm from this document the exact date the delivery took place.

H6c|1

H6c|2

20.030 Panday was also in possession of a Standard Bank deposit slip for R11,000, dated 23 November 2009, where the name of the account holder is recorded as Plush Mink (**Document No. 24867**). This document was contained with other documents held by Panday and as a result, I have concluded that it is proof of payment of the transaction between Goldcoast Trading and Limco Blankets.

H6c|3

20.031 Based on the date the payment was made to the aforementioned supplier by Panday i.e. 23 November 2009, confirms that he was aware that he had won the work before the order No. AD336684 was awarded to Goldcoast Trading on 2 December 2009.

PwC

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20.032 Another document located amongst Panday's records is a quotation dated 24 November 2009 addressed to the SAPS which reflects that the amount quoted is R24,500 (**Document No. 24871**). Although I have not seen the quotations of other suppliers who may have quoted for the supply of these items, I can conclude that Goldcoast Trading's quotation is dated a day after he paid for the exact same number of blankets from Limco Blankets i.e. 23 November 2009 and, based thereon, it would be reasonable to conclude that he knew in advance that he would win the work. As a result, there was no risk for him to procure the blankets in advance and taking all the above into account, it would be reasonable to conclude that there must have been some collusion amongst Narainpershad, Madhoe and or other representatives at SAPS SCM who were involved with the procurement process together with Panday.

H16c|4

20.033 I have also identified in the SAPS SCM records the quotations received in respect of this order which quotations are from Goldcoast Trading (**Document No. 14778**) Afeefah Investments t/a Bassa's Wholesale (**Document No.14779**) and Mish Mart Holdings (Pty) Ltd (**Document No. 14780**).

H16b|4-5

20.034 A summary of the information contained on these quotations are detailed hereunder:

No	Date	Supplier	Total	Doc No
1	9/12/2006	Afeefah Investments t/a Bassa's Wholesale	25,580	14779
2	9/12/2006	Mish Mart Holdings (Pty) Ltd	26,750	14780
3	Undated	Goldcoast Trading	24,500	14778

H6b|4

H6b|5

H6b|3

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20.035 Both the quotations from Afeefah Investments and Mish Mart Holdings are dated 2006 instead of 2009 and are included with documentation in the SCM file under the financial authority number 3723073638 (**Document No. 14777**). This is the same financial authority number that is appended on the order payment transaction form with number AD336684 which order was only issued on 2 December 2009 and based thereon, it would be reasonable to conclude that these quotations, although both dated 9 December 2006, relate to an order awarded in 2009. An extract of order payment transaction is reflected in Record 99 below:

## H6b|4-5

## Record 99

AD- 336684 <div style="border: 1px solid black; padding: 2px; display: inline-block;">7</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">0</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">0</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">0</div>	31 32 <div style="border: 1px solid black; padding: 2px; display: inline-block;">0</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">0</div>	09/12/07 Bestelingsdatum Order date
Kontrak/Tender No. Contract/Tender No.	Verklaaringsnommer Supplier number	Faktuuradres • Invoice address THE PROVINCIAL COMMISSIONER PROVINCIAL LOGISTICS-KZN P.O. BOX 1965 DURBAN
Naam • Name GOLD COAST TRADING	Adres • Address P.O. BOX 3361 SOMERSET PARK UMLALANGA ROCKS	Navrae aan • Enquiries to M. NKOSI
180 181 Polisie • P.O. code 4021	Magasyn No. Store No. 4000	Magasyn Store Prov ORS
Itembeheer No. • Item Control No. 7210184056478		Oorspronklike bestelingsbedrag Original order amount
Itembeskrywing • Item description MINK BLANKETS		Verrekeningsrekening Account unit E.A
		Hoofrekening Quantity 01.00
		Kalkulasie Hash total
Reël No. Line No. 01	Toewysingsbedrag Allocation amount 3723	Verantw. Responsibility 3005
02	13	019.2
03	0912	
04		
05		
v.o.s. • f.o.c. Spoorwegorder No. Rail Warrant No. Staanse Spoorwegorder No. Standing Rail Warrant No. By magasyn afgeweer Delivered into store Per pos By post Tesourie-magting Treasury authority 372303638	Tenderraad-magting Tender Board authority Dept. magting Dept. authority 19/14/12/12/13 Revisie No./Voort. Advies No. Requisition No./Prov. Advice No. Magasyn No. Store No. Reeks No. Series No.	014772  HIERDIE BESTELVORM MAG S VIR WERKLIKE EN NOODWEN THIS ORDER FORM MAY BE U ACTUAL AND NECESSARY PUR

H6b|1



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- 20.036 I have also identified a printed copy of an email in Panday's records which email is between Panday and Mr Yusuf Haffejee of Limco Blankets and is dated 24 November 2009 (a day after payment for the blankets had been made) (**Document No. 24874**). Although the top of this page contains the name "Thoshan Panday" it would appear that the correspondence is between Pranash and Mr Yusuf Haffejee. The communication between these two parties merely relates to Panday attempting to solicit from Mr Haffejee a higher discount on the unit price of each blanket supplied.
- 20.037 Hence, although Panday was already making a profit of R13,500 (122%) on these blankets he nevertheless attempted to make an even higher one by attempting to obtain a greater discount from this supplier (this is something that he did with both Coastlands and Hire It (Pty) Ltd).
- 20.038 In support of my earlier conclusions regarding the fact that Goldcoast Trading, and or Panday, procured the blankets before the order was awarded by the SAPS, I have also located a Goldcoast Trading letter dated 23 November 2009 (**Document No. 24872**) in which Pranesh has confirmed, on behalf of Panday, that they would be procuring 100 blankets from Limco Blankets at a total cost of R11,000.

H6c|7

H6c|5

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PwC



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**UNPAID INVOICES GOLDCOAST TRADING & ALLEGED COVER  
QUOTING**

20.039 During my review of documents contained in a lever arch file, marked volume 41 (**Documents No. 14551 – 14950**) that contain copies of exhibits that were seized from the SAPS SCM Unit (exhibit bag 671405), I was able to identify seven instances where the police were in possession of various procurement documents relating to alleged *orders* awarded to Goldcoast Trading. In these documents, I also identified various quotations that were provided by some of the entities that I have discussed in preceding paragraphs of my report, and which include, *inter alia*, Pearl Star Investments, Rocksteel Investments (Pty), Launchzone and P B C Accommodation Specialist or Plastic Blown Containers (Pty) Ltd<sup>1</sup>. However, none of these invoices submitted by Goldcoast Trading have been paid by the SAPS, neither is there any evidence of there being any financial authority or an order number or commitment of funds document authorising the procurement of the services as detailed in the quotations and or invoices from Goldcoast Trading.

20.040 A summary of these documents is detailed below:

1. Goldcoast Trading Invoice No. 100228 in the amount of R32,760 (**Document No. 14725**) for the Nongoma deployment between the period 28 May 2010 to 4 June 2010 (**Document No.'s 14715 – 14728**);
2. Goldcoast Trading Invoice No. 100198 in the amount of R32,760 (**Document No. 14733**) for the Nongoma deployment between the period 7 May 2010 to 14 May 2010 (**Document No.'s 14729 – 14738**);

H137

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<sup>1</sup> These entities have been discussed in paragraphs 14.056 to 14.085. of my report.

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- |    |   |             |
|----|---|-------------|
| 3. | Goldcoast Trading Invoice No. 100102 in the amount of R150,000 ( <b>Document No. 14741</b> ) for the Nongoma and Ulundi deployment between the period 25 February 2010 to 28 February 2010 ( <b>Document No.'s 14739 – 14744</b> ); | <b>H139</b> |
| 4. | Goldcoast Trading Invoice No. 100101 for R185,000 ( <b>Document No. 14746</b> ) for the Nongoma and Ulundi deployment between the period 25 February 2010 to 28 February 2010 ( <b>Document No's 14745 – 14749</b> );               | <b>H140</b> |
| 5. | Goldcoast Trading Invoice No. 100100 for R184,600 ( <b>Document No.14751</b> ) for the Nongoma and Ulundi deployment between the period 25 February 2010 to 28 February 2010 ( <b>Document No's 14750-14754</b> );                  | <b>H141</b> |
| 6. | Goldcoast Trading Invoice No. 100103 for R91,000 ( <b>Document No. 14756</b> ) for the Nongoma and Ulundi deployment between the period 25 February 2010 to 28 February 2010 ( <b>Document No's 14755 - 14759</b> ); and            | <b>H142</b> |
| 7. | Goldcoast Trading Invoice No. 10099 for R199,400 ( <b>Document No.14761</b> ) for the Nongoma and Ulundi deployment between the period 25 February 2010 to 28 February 2010 ( <b>Document No's 14760 - 14764</b> ).                 | <b>H143</b> |
- 20.041 Each of the documents provided in relation to each of the abovementioned invoices are discussed hereunder in detail:

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	<b>(i) Goldcoast Trading Invoice No. 100228 in the amount of R32,760</b>	<b>H137</b>
20.042	I have identified numerous documents contained amongst the exhibits in SCM records and which include the following:	
	(i) First page titled “Nongoma Extention” [sic] from 28 May 2010 to 4 June 2010 ( <b>Document No. 14715</b> );	<b>H137 1</b>
	(ii) Submission from the SCM Provincial Commissioner’s Office in KwaZulu-Natal dated 28 May 2010 addressed to the Section Head of SCM Acquisition Management ( <b>Document No. 14716 7</b> );	<b>H137 2-3</b>
	(iii) Interoffice Memo marked for the attention of Madhoe from the Provincial Commander Operational Response Services KwaZulu-Natal ( <b>Document No. 14718</b> );	<b>H137 4</b>
	(iv) A letter from the Unit Commander of the Public Order Police Durban dated 28 May 2010 ( <b>Document No. 14721</b> );	<b>H137 5</b>
	(v) A letter from the Office of the Provincial Commander Operational Response Services KwaZulu-Natal dated 26 May 2010 re: Deployment of ORS (KZN) Personnel ( <b>Document No. 14722 24</b> );	<b>H137 6-8</b>
	(vi) Goldcoast Trading Invoice No. 100228 for R32,760 ( <b>Document No.14725</b> );	<b>H137 9</b>
	(vii) Goldcoast Trading quotation dated 25 May 2010 ( <b>Document No. 14726</b> );	<b>H137 10</b>
	(viii) Brakenshaw Investments (Pty) Ltd quotation No. 193 dated 25 May 2010 for R35,900 ( <b>Document No. 14727</b> );	<b>H137 11</b>
	(ix) PBC Accommodation Specialist quotation No. MA30 dated 25 May 2010 ( <b>Document No. 14728</b> );	<b>H137 12</b>

PwC

**State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010**

**24 November 2014**

- |        |   |        |
|--------|---|--------|
| 20.043 | <p>The submission from the Provincial Commissioner's Office SCM dated 28 May 2010 (<b>Document No. 14716</b>) contains Narainpershad's name in the enquiries column of this document (refer to Record 100 below) and at the bottom of the page where the signature of the author is required (refer to Record 101 below) also contains a place for his signature.</p> | H137 2 |
|--------|---|--------|

## Record 101

Verwysing Reference	3/3/1/121/3
Navrae Enquiries	<b>Capt Narainpershad</b>
Telefoon Telephone	<b>031-3255824</b>
Faksnommer Fax number	<b>031-3255823</b>

A NARAINPERSHAD CAPTAIN

APPROVED / NOT APPROVED

**COLONEL**  
SECTION HEAD: ACQUISITION MANAGEMENT  
SUPPLY CHAIN MANAGEMENT : KWAZULU NATAL  
N MADHOE

- |        |  |        |
|--------|--|--------|
| 20.044 | As indicated in Record 101 above, Narainpershad has not signed this document, whilst Madhoe has not approved the content of this submission which is for the extension of accommodation of members to be deployed to Nongoma between the period 28 May 2010 to 11 June 2010. | H137/2 |
|--------|--|--------|

- 20.045 Paragraph 2 of the submission indicates that three quotations were obtained from letting agents as detailed in Record 102 below: H137|2

## Record 102

## QUOTATIONS OBTAINED

Three quotes were received from the following letting agents for the period 2010-05-28 to 2010-06-04

2.1	Brackenshaw Investments (Pty) Ltd	:	8 members	:	R35 900,00
2.2	PBC Accommodation Specialists	:	8 members	:	R40 210,00
2.3	Goldcoast Trading	:	8 members	:	R32 760,00



014716

- |        |   |         |
|--------|---|---------|
| 20.046 | <p>The quotation from PBC Accommodation Specialist (<b>Document No 14728</b>) is similar to the blank letterhead of Plastic Blown Containers located amongst Panday's records (<b>Document No. 24987</b>). In fact, both these entities registration number are the same i.e. 05/27849/07. The differences in these two letterheads are illustrated in Record 103 and Record 104 below.</p> | H137 12 |
|--------|---|---------|

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<p>(Document No.14754)</p> <p>Record 103</p>  <p>P.B.C. Accommodation Specialist CO. REG. NO. 05/27849/07</p>	<p>(Document No. 24987)</p> <p>Record 104</p>  <p>024987 PLASTIC BLOWN CONTAINERS (PTY) LTD CO. REG. NO. 05/27849/07</p>	<p>H137 2</p> <p>A35</p>
<p>20.047</p>	<p>A search performed with CIPC through Experian revealed that the correct registration number for Plastic Blown Containers is 1947/027849/07 and not 05/27849/07 as reflected in both the aforementioned documents. I have also determined that the correct name for this entity, with the registration number 1947/027849/07, is Plastic Blown Containers (Pty) Ltd and not P.B.C Accommodation Specialist.</p>	<p>A45</p>
<p>20.048</p>	<p>I have not been able to connect the quotation from BrackenShaw Investments (Pty) Ltd to Panday or his related companies; however, I have determined from an Experian report extracted on this entity that the only member thereof is Mr MNE Joosab (Id 621120 5212 050) who resides at 565 Musgrave Road Berea Durban, and whose business address is recorded as 48 Peters Road, Sea Cow Lake.</p>	<p>H137 11</p>
<p>20.049</p>	<p>The aforementioned business address of Mr MNE Joosab, namely 48 Peters Road, Sea Cow Lake, is the same as the address that is appended on the letterhead of Plastic Blown Containers (<b>Document No 24987</b>) as illustrated on Record 65 on page 163 of my report which document was also located amongst Panday's records. I have also identified, on a letterhead from Rocksteel Investments (Pty) Ltd, the residential address of Mr MNE Joosab namely 565 Musgrave Road, Berea Durban, which has been handwritten on this document and is also included amongst Panday's records (<b>Document No. 24989</b>). An extract of the address, as appended on this document (<b>Document No. 24989</b>), is reflected in Record 105 below.</p>	

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## Record 105

565 MASGRAVE - R  
 MuGRAVE, DURBAN  
 4034

031 208 4852 /

- 20.050 The aforementioned Experian report of Brakenshaw Investments (Pty) Ltd also includes other business interest of Mr MNE Joosab which include: Mish Mart Holdings (Pty) Ltd and Plastic Blown Containers (Pty) Ltd whose letterheads were also located amongst Panday's records and which has already been discussed in preceding paragraphs of this report<sup>1</sup>. A41  
A35
- (ii) **Goldcoast Trading Invoice No. 100198 in the amount of R32,760** H138
- 20.051 I have identified numerous documents contained amongst the exhibits in SCM records relating to Goldcoast invoice No. 100198 and which include the following:
- (i) First page titled "Nongoma (8) (Extention)" [sic] from 7 May 2010 to 14 May 2010 (**Document No. 14729**); H138|1
  - (ii) Submission from the SCM Provincial Commissioner's Office in KwaZulu-Natal dated 7 May 2010 addressed to the Section Head of SCM Acquisition Management (**Document No. 14730\1**); H138|2-3
  - (iii) Goldcoast Trading quotation dated 4 May 2010 (**Document No. 14732**); H138|4

<sup>1</sup> Refer 14.056 to 14.085

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- (iv) Goldcoast Trading Invoice No. 100198 for R32,760 (**Document No.14733**); H138|5
- (v) Brakenshaw Investments (Pty) Ltd quotation No. 190 dated 4 May 2010 for R36,760 (**Document No. 14727**); H138|6
- (vi) Launchzone Travel Solutions quotation No. 100 dated 4 May 2010 for R40,500 (**Document No. 14735**); H138|7
- (vii) Letter from the Office of the Provincial Commander Operational Response Services KwaZulu-Natal dated 7 May 2010: re “Detachment Duties: POP members: Taxi Conflict: Nongoma Area: From Friday 2010-05-07 to Friday 2010-05-14” (**Document No. 14736|7**); and H138|8-9
- (viii) Schedule of Police Members (**Document No. 14738**). H138|10

20.052 The submission from the Provincial Commissioner’s Office SCM dated 7 May 2010 (**Document No. 14730**) contains Narainpershad’s name in the enquiries column of this document (refer to Record 106 below) and at the bottom of the page where the signature of the author is required (refer to Record 107 below) also contains a place for his signature. H138|2

## Record 106

Verwysing Reference	3/3/1121/3
Navrae Enquiries	Capt Narainpershad
Telefoon Telephone	031-3255824
Faksnommer Fax number	031-3255823

## Record 107

CAPTAIN  
A NARAINPERSHAD

APPROVED / NOT APPROVED

COLONEL  
SECTION HEAD: ACQUISITION MANAGEMENT  
SUPPLY CHAIN MANAGEMENT : KWAZULU NATAL  
N MADHOE

20.053 As indicated in Record 107 above, Narainpershad has not signed this document, whilst Madhoe has not approved the content of this submission which is for the extension of accommodation of members to be deployed to Nongoma between the period 7 May 2010 to 14 May 2010. H138|2

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- 20.054 Paragraph 2 of the submission indicates that three quotations were obtained from letting agents as detailed in Record 108 below: H138|2
- Record 108**
- QUOTATIONS OBTAINED**
- Three quotes were received from the following letting agents for the period 2010-05-07 to 2010-0514:
- |     |                                 |             |              |
|-----|---------------------------------|-------------|--------------|
| 2.1 | Launchzone Travel Solutions     | : 8 members | : R40 500,00 |
| 2.2 | Brakenshaw Investment (Pty) Ltd | : 8 members | : R36 760,00 |
| 2.3 | Goldcoast Trading               | : 8 members | : R32 760,00 |
- 014730**
- 20.055 The quotations of each of the aforementioned suppliers identified in Record 108 above are also available in the SCM file (**Document No. 14732, 14734 (14727) and 14735**). I shall not repeat the content of my discussion relating to Brakenshaw Investment (Pty) Ltd, as discussed in paragraphs 20.046 to 20.050 above; however, I am able to confirm that the quotation of Launchzone Travel Solutions is written on the same letterhead of this entity that was located amongst Panday's records<sup>1</sup>. H138|4-7
- A34**
- (iii) Goldcoast Trading Invoice No. 100102 in the amount of R150,000** H139
- 20.056 The documents held by SCM relating to Goldcoast Trading Invoice No. 100102 include the following documents:
- (i) First page titled "Nongoma & Ulundi (SAO)" from 26 February 2010 to 28 February 2010 (**Document No. 14739**); H139|1
  - (ii) An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 (**Document No. 14740**); H139|2
  - (iii) Goldcoast Trading Invoice No. 100102 for R150,000 (**Document No. 14741**); H139|3
  - (iv) Goldcoast Trading quotation dated 22 February 2010 (**Document No. 14742**); H139|4

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<sup>1</sup> Refer 14.056 to 14.085

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(v) Rocksteel Investments (Pty) Ltd quotation No. 248 dated 22 February 2010 (**Document No. 14743**); and **H139|5**

(vi) Pearl Star Investments 246 quotation dated 22 February 2010 (**Document No. 14744**). **H139|6**

20.057 The unsigned submission indicates that both Narainpershad and Madhoe were involved in this process although none of them have appended their signatures on the submission and therefore, the recommendation to appoint Goldcoast Trading was not approved (**Document No. 14740**). **H139|2**

20.058 Paragraph 2 of this submission indicates that three quotations were obtained from letting Agents as detailed in Record 109 below. **H139|2**

**Record 109****QUOTATIONS OBTAINED**

Three quotes were obtained from the following letting Agents for the period 2010-02-25 to 2010-02-28

2.1	Goldcoast Trading	:	100 members	:	R150 000,00
2.2	Rocksteel Investments (Pty) Ltd	:	100 members	:	R165 750,00
2.3	Pearl Star Investmentss 246	:	100 members	:	R175 000,00

20.059 The quotations from the suppliers detailed in Record 109 above, are also contained in the SCM file. I can conclude from the examination thereof that the letterheads in respect of the quotations from Rocksteel Investments (Pty) Ltd (**Document No. 14743**) and Pearl Star Investments 246 (**Document No. 14744**) are the same as those blank and completed letterheads that were located amongst Panday's records (**Document No 24989** and **24985** respectively) in a file marked "different letterheads"<sup>1</sup> which have been discussed in preceding paragraphs of my report<sup>2</sup>. **H139|4-6**  
**A37|A33**

<sup>1</sup> Refer to Record 64 on page 138 of my report.

<sup>2</sup> Refer to paragraphs 14.056 to 14.085.

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**(iv) Goldcoast Trading Invoice No. 100101 for R185,000****H140**

20.060 The documents held by SCM relating to Goldcoast Trading Invoice No. 100101 include the following documents:

- (i) An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 (**Document No. 14745**); **H140|1**
- (ii) Goldcoast Trading Invoice No. 100101 for R185,000 (**Document No. 14746**); **H140|2**
- (iii) Goldcoast Trading quotation dated 22 February 2010 (**Document No. 14747**); **H140|3**
- (iv) Rocksteel Investments quotation No. 247 dated 22 February 2010 (**Document No. 14748**); and **H140|4**
- (v) Pearl Star Investments 246 quotation dated 22 February 2010 (**Document No. 14749**). **H140|5**

20.061 The unsigned submission indicates that both Narainpershad and Madhoe were involved in this process although none of them have appended their signatures on the submission and therefore, the recommendation to appoint Goldcoast Trading was not approved (**Document No. 14745**).

**H140|1**

20.062 Paragraph 2 of this submission indicates that three quotations were obtained from letting Agents as detailed in Record 110 below.

**H140|1****Record 110****H140|1****QUOTATIONS OBTAINED**

Three quotes were obtained from the following letting Agents for the period 2010-02-25 to 2010-02-28

2.1	Goldcoast Trading	:	125 members	:	R185 000,00
2.2	Rocksteel Investments (Pty) Ltd	:	125 members	:	R189 750,00
2.3	Pearl Star Investmentss 246	:	125 members	:	R193 750,00

PwC

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20.063	The quotations from the suppliers detailed in Record 110 above, are also contained in the SCM file. I can conclude from the examination thereof that the letterheads in respect of the quotations from Rocksteel Investments (Pty) Ltd ( <b>Document No. 14748</b> ) and Pearl Star Investments 246 ( <b>Document No. 14749</b> ) are similar as those blank and completed letterheads that were located amongst Panday's records ( <b>Document No 24989</b> and <b>24985</b> respectively) in a file marked "different letterheads" <sup>1</sup> which have been discussed in preceding paragraphs of my report <sup>2</sup> .	H140 3-5 A37 A33
	(v) <b>Goldcoast Trading Invoice No.100100 in the amount of R184,600</b>	H141
20.064	The documents held by SCM relating to Goldcoast Trading Invoice No. 100100 include the following documents:	
	(i) An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14750</b> );	H141 1
	(ii) Goldcoast Trading Invoice No. 100100 for R184,600 ( <b>Document No. 14751</b> );	H141 2
	(iii) Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14752</b> );	H141 3
	(iv) Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14753</b> ); and	H141 4
	(v) P.B.C Accommodation Specialist quotation No. Feb129 dated 22 February 2010 ( <b>Document No. 14754</b> ).	H141 5
20.065	The unsigned submission indicates that both Narainpershad and Madhoe were involved in this process although none of them have appended their signatures on the submission and therefore, the recommendation to appoint Goldcoast Trading was not approved ( <b>Document No. 14750</b> ).	H141 1

<sup>1</sup> Refer to Record 64 on page 138 of my report.<sup>2</sup> Refer to paragraphs 14.056 to 14.085.

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- 20.066 Paragraph 2 of this submission indicates that three quotations were obtained from letting Agents as detailed in Record 111 below.

**Record 111****QUOTATIONS OBTAINED**

Three quotes were obtained from the following letting Agents for the period 2010-02-25 to 2010-02-28

2.1	Goldcoast Trading	: 125 members	: R184 600,00
2.2	Pearl Star Investments	: 125 members	: R189 200,00
2.3	PBC Accommodation Specialist	: 125 members	: R190 000,00

- 20.067 The quotations from the suppliers detailed in Record 111 above, are also contained in the SCM file. I can conclude from the examination thereof that the letterheads in respect of the quotations from P.B.C Accommodation Specialist<sup>1</sup> (**Document No. 14754**) and Pearl Star Investments 246 (**Document No. 14753**) are the similar as those blank and completed letterheads that were located amongst Panday's records (**Document No. 24987** and **24985** respectively) in a file marked "different letterheads"<sup>2</sup> which have been discussed in preceding paragraphs of my report<sup>3</sup>.

H141|4-5

A33|A35

**(vi) Goldcoast Trading Invoice No.100103 for R91,000**

- 20.068 The documents held by SCM relating to Goldcoast Trading Invoice No. 100100 include the following documents:

- (i) An unsigned submission from the Provincial Commissioner's Office SCM KwaZulu-Natal dated 24 February 2010 (**Document No. 14755**);
- (ii) Goldcoast Trading Invoice No. 100103 for R91,600 (**Document No. 14756**);
- (iii) Goldcoast Trading quotation dated 22 February 2010 (**Document No. 14757**);

H142|1

H142|2

H142|3

<sup>1</sup> Refer to paragraphs 12.067 to 12.068 where I discuss the difference between the letterhead of PBC Accommodations Specialist and Plastic Brown Containers (Pty) Ltd

<sup>2</sup> Refer to Record 64 on page 138 of my report.

<sup>3</sup> Refer to paragraphs 14.056 to 14.085.

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- (iv) Rocksteel Investments (Pty) Ltd quotation No 249. dated 22 February 2010 (**Document No. 14758**); and **H142|4**
- (v) Pearl Star Investments 246 quotation dated 22 February 2010 (**Document No. 14759**). **H142|5**
- 20.069 The unsigned submission indicates that both Narainpershad and Madhoe were involved in this process although none of them has appended their signatures on the submission and therefore, the recommendation to appoint Goldcoast Trading was not approved (**Document No.14755**). **H142|1**
- 20.070 Paragraph 2 of this submission indicates that three quotations were obtained from letting Agents as detailed in Record 112 below. **H142|1**
- Record 112**
- QUOTATIONS OBTAINED**
- Three quotes were obtained from the following letting Agents for the period 2010-02-25 to 2010-02-28
- |     |                                 |   |            |   |             |
|-----|---------------------------------|---|------------|---|-------------|
| 2.1 | Goldcoast Trading               | : | 40 members | : | R91 000,00  |
| 2.2 | Rocksteel Investments (Pty) Ltd | : | 40 members | : | R95 500,00  |
| 2.3 | Pearl Star Investvestmentss 246 | : | 40 members | : | R104 000,00 |
- 20.071 The quotations from the suppliers detailed in Record 112 above, are also contained in the SCM file. I can conclude from the examination thereof that the letterheads in respect of the quotations from Rocksteel Investments (Pty) Ltd (**Document No. 14758**) and Pearl Star Investments 246 (**Document No. 14759**) are similar as those blank and completed letterheads that were located amongst Panday's records (**Document No 24989** and **24985** respectively) in a file marked "different letterheads"<sup>1</sup> which have been discussed in preceding paragraphs of my report<sup>2</sup>. **H142|4-5**  
**A33|A37**

<sup>1</sup> Refer to Record 64 on page 138 of my report.<sup>2</sup> Refer to paragraphs 14.056 to 14.085.



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**(vii) Goldcoast Trading Invoice No.10099 for R199,400**

20.072 The documents held by SCM relating to Goldcoast Trading Invoice No. 100099 include the following documents:

- |   |               |
|---|---------------|
| (i) An unsigned submission from the Provincial Commissioner's Office<br>SCM KwaZulu-Natal dated 24 February 2010 ( <b>Document No. 14760</b> ); | <b>H143 1</b> |
| (ii) Goldcoast Trading Invoice No. 10099 for R199,400 ( <b>Document No. 14761</b> );  | <b>H143 2</b> |
| (iii) Goldcoast Trading quotation dated 22 February 2010 ( <b>Document No. 14762</b> );   | <b>H143 3</b> |
| (iv) Rocksteel Investments (Pty) Ltd quotation No 250. dated 22 February 2010 ( <b>Document No. 14763</b> ); and                                | <b>H143 4</b> |
| (v) Pearl Star Investments 246 quotation dated 22 February 2010 ( <b>Document No. 14764</b> ).  | <b>H143 5</b> |

20.073 Paragraph 2 of this submission indicates that three quotations were obtained from letting Agents as detailed in Record 113 below.

**Record 113****QUOTATIONS OBTAINED**

Three quotes were obtained from the following letting Agents for the period 2010-02-25 to 2010-02-28

2.1	Goldcoast Trading	:	150 members	:	R199 400,00
2.2	Rocksteel Investments (Pty) Ltd	:	150 members	:	R205 000,00
2.3	Pearl Star Investvestmentss 246	:	150 members	:	R235 000,00

**H143|1**

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- 20.074 The quotations from the suppliers detailed in Record 113 above, are also contained in the SCM file. I can conclude from the examination thereof that the letterheads in respect of the quotations from Rocksteel Investments (Pty) Ltd (**Document No. 14763**) and Pearl Star Investments 246 (**Document No. 14764**) are similar as those blank and completed letterheads that were located amongst Panday's records (**Document No 24989** and **24985** respectively) in a file marked "different letterheads"<sup>1</sup> which have been discussed in preceding paragraphs of my report<sup>2</sup>.

H143|4-5

A33|A37

***Summary of Findings***

- 20.075 The SAPS SCM Unit is in possession of invoices from Goldcoast Trading in the aggregate amount of R725,520 which invoices are for deployments that allegedly took place at Nongoma and Ulundi between the period 25 February 2010 to 4 June 2010 in KwaZulu-Natal .
- 20.076 In all the above instances, Goldcoast Trading quotations were the most cost effective in comparison to the unsuccessful suppliers quotations that are on record. Whilst, in all seven instances, Goldcoast Trading have issued their invoices for payment of the alleged services rendered despite the fact that none of the recommendations to award the work to Goldcoast Trading, as detailed in the seven submissions, was approved by Madhoe, in addition to the fact that there is no financial authority for these expenses.

<sup>1</sup> Refer to Record 64 on page 138 of my report.

<sup>2</sup> Refer to paragraphs 14.056 to 14.085.

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- 20.077 It has also been established, in respect of the unsuccessful suppliers who also quoted for this work, that Panday had copies of their letterheads in his records, and which were described therein as “different letterheads,” as illustrated in Record 64 on page 162 of my report. In most occasions, the same entities competed against Goldcoast Trading but were not successful with their quotation as their prices were consistently higher than that of Goldcoast Trading. The only reasonable inference that can be drawn from this information is that Panday conspired to, or with, the SAPS SCM personnel to mislead management that the procurement process was fair, transparent, equitable, cost effective and competitive when it was not. Panday was successful in manipulating this process as he was in possession of the unsuccessful suppliers letterheads in addition to, having a relationship with Narainpershad and Madhoe as he was paying for benefits on behalf of these two officials<sup>1</sup>.
- 20.078 It has further been determined from the examination of the various procurement documents relating to these invoices that one of the suppliers who quoted against Goldcoast Trading, namely PBC Accommodation Specialist, used a letter head similar to that of Plastic Blown Containers (Pty) Ltd, and whose letterheads both contain the same registration number 05/27849/07. Enquiries performed with CIPC revealed that this registration number is invalid, although it was also determined that registration number 1947/027849/07 belongs to Plastic Blown Containers (Pty) Ltd whose director has business interests in Mish Mart Holdings (Pty) Ltd and Brakenshaw Investments (Pty) Ltd, two suppliers who have been used in the procurement process to compete with Goldcoast Trading.
- 20.079 Detailed hereunder is a table illustrating a summary of the Goldcoast Trading invoices and the alleged suppliers who quoted against this company together with their prices.

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<sup>1</sup> Refer to paragraphs 15.019 to 15.119.

GOLDCOAST TRADING			SUPPLIER 1		SUPPLIER 2	
Invoice No	Invoice. Date	Invoice Amount	Name	Amount (R)	Name	Amount (R)
100228	04-06-2010	32,760	Brakenshaw Investments (Pty) Ltd	35,900	P.B.C Accommodation Specialists	40,210
100198	14-05-2010	32,760	Brakenshaw Investments (Pty) Ltd	36,760	Launchzone Travel Solutions	40,500
100102	01-03-2010	150,000	Rocksteel Investments (Pty) Ltd	165,750	Pearl Star Investments 246	175,000
100101	01-03-2010	185,000	Rocksteel Investments (Pty) Ltd	189,750	Pearl Star Investments 246	193,750
100100	01-03-2010	184,600	P.B.C Accommodation Specialist	190,000	Pearl Star Investments 246	189,200
100103	01-03-2010	91,000	Rocksteel Investments (Pty) Ltd	95,500	Pearl Star Investments 246	104,000
10099	01-03-2010	199,400	Rocksteel Investments (Pty) Ltd	205,000	Pearl Star Investments 246	235,000
		<b>875,520</b>				

**KWAZULU-NATAL DEPLOYMENTS****Introduction**

20.080 The Operational Response Services (**ORS**) of the SAPS is responsible for deploying members of the SAPS to various areas within the Province of KwaZulu-Natal during times of unrest or occasions when communities may be exposed to potential threats such as taxi violence or political instability. As such, it is also necessary to ensure that accommodation for these personnel is provided during their deployment period.

20.081 I understand that, historically, the ORS section was responsible for securing accommodation for these police members however, at some point, this changed and the SAPS SCM unit became solely responsible for securing accommodation for these members during their deployments.

**Orders Issued to Goldcoast Trading**

20.082 One of the suppliers that were used in securing accommodation for these deployments is Goldcoast Trading who have received orders in the aggregate amount of R12,981,083 from the SAPS as detailed in paragraph 20.001 of my report.

20.083 According to the available documentation, I have determined that the deployments in respect of the aforementioned orders took place at the following locations:

1. Durban;
2. Estcourt;
3. Greytown;
4. Ingwenyama Conference & Sports resorts;
5. Ladysmith;

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6. Newcastle;
7. Nongoma;
8. Pinetown;
9. Pongola;
10. Stanger;
11. Sundumbili; and
12. Ulundi

20.084 As such, my analysis of the payments and supporting documents in relation to the abovementioned deployments have been grouped in respect of each of these locations and will be discussed hereunder in subsequent paragraphs of my report. The only exception is that for all the orders that were issued to Goldcoast Trading in respect of deployments in the Pongola region, the submissions reflect that three quotations were provided although copies of these alleged quotations are not available for my review.

**Procurement Procedures**

20.085 I can however confirm, for each of the orders awarded to Goldcoast Trading, that only one quotation was obtained either because it was an urgent matter, or there was no accommodation available, or because the deployment was an extension to an existing urgent matter.



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- |        |  |                    |
|--------|--|--------------------|
| 20.086 | The SCM Manual does allow for the procurement of services on a single quotation provided that proof of reasonableness of the quotation is available for audit purposes <sup>1</sup> . I can confirm, from my review of all the above-mentioned documents, that there is no evidence to validate that this requirement of the SCM manual had been complied with, either by Madhoe or Narainpershad or any other person involved with SCM.   | <b>A1 210</b>      |
| 20.087 | I can also confirm that any order awarded on a single quotation, that is less than R200,000, may only be approved by a functionary equal to or higher than a Director attached to the SCM unit <sup>2</sup> . Madhoe has approved a number of these orders when he did not have the authority to do so, as he is only a Senior Superintendent (Colonel) <sup>3</sup> in the SAPS SCM unit.   | <b>A1 212</b>      |
| 20.088 | There is also a provision in the SCM manual to allow the procurement of the services of a supplier on a single quotation, or an urgent or emergency basis provided that the nature of the urgency, or emergency, or the losses or consequences that will follow if action is not taken, is certified by a person holding the rank of at least Director or higher.  | <b>A1 218</b>      |
| 20.089 | There have been a number of instances where orders to Goldcoast Trading were split so that the order stayed within the approved delegated amount of Madhoe. One of these, which is discussed in detail in subsequent paragraphs of my report, is the Sundumbili deployments where it appears that Goldcoast Trading were asked to quote on a reduced deployment period even though the call up instruction <sup>4</sup> was for the full deployment period. Taking cognisance of Goldcoast Trading's aggregate quoted price for the deployment period, it is reasonable to conclude that the quoted deployment period was reduced so that the order stayed within the approved delegated amount. | <b>H115 - H133</b> |

<sup>1</sup> Part 2 Invitations and Acceptance of Price Quotations up the value of R200,000 is discussed in paragraphs 11.015 to 11.020 of my report.

<sup>2</sup> Refer to paragraph 11.018 of my report.

<sup>3</sup> Refer to Figure 2 and Figure 3 on page 95 of my report for an illustration of the police rank structure both present and past.

<sup>4</sup> A call up instruction is the authority from ORS for the deployment of members at a specific place and for a specific period. It also identifies the financial authority for members to claim a standing advance.

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**(i) Durban Deployments**

H13 – H17

- 20.090 Four (4) orders in the aggregate amount of R390,650 were awarded to Goldcoast Trading for the accommodation of police members in Durban. A summary of these four (4) orders, the cost of sales and gross profit margins realised by Goldcoast Trading is detailed hereunder:

H13

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AC910570	131,250.00	65,155.50	66,094.50	101	(01)
AD339685	31,600.00	13,747.40	17,852.60	130	(02)
AD339686	28,000.00	10,400.00	17,600.00	169	(02)
AD339965	199,800.00	70,200.00	129,600.00	185	(03)
<b>Total</b>	<b>390,650.00</b>	<b>159,502.90</b>	<b>231,147.10</b>	<b>145</b>	

H14

H15

H16

H17

**Notes**

(01) The submission document for this order indicates that only one quotation was obtained due to the urgency of the call up (**Document No. 000721**).

H14b|1

(02) The submission document for this order indicates that only one quotation was obtained due to the non availability of other accommodation (**Document No.000859 and 000872**)

H15b|2 H16b|2

(03) The submission document for this order indicates that only one quotation was obtained due to the urgency of the situation (**Document No. 000850**).

H17b|2

- 20.091 I have determined, from the signatures appended on the payment authorisation form for each of the abovementioned four (4) orders, that Narainpershad appears to have certified the payment to Goldcoast Trading and, by doing so, has certified that the charges are fair and reasonable whilst Madhoe, by appending what appears to be his signature, has approved the order.

- 20.092 I can conclude from my analysis of the supporting documents in relation to these four (4) orders that, of the R390,650 paid to Goldcoast Trading, they made a profit of R231,147.10 or 145% on their cost of sales.

PwC

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- 20.093 All accommodation was secured at either the Road Lodge Umhlanga, Southern Sun Elangeni, Hilton or La Mercy Beach Hotels most of which are well known in Durban and therefore, I can conclude that the reasonableness of the motivation in the submission with regards to the non availability of accommodation in Durban appears to be untrue. This is because Goldcoast Trading, who purports to be an accommodation broker, is able to provide accommodation despite the alleged non-availability of accommodation in Durban.
- 20.094 The cost of sales to Goldcoast Trading in relation to the aforementioned four (4) orders indicates what the market related prices of the accommodation for these orders ought to have been and therefore, it would be reasonable to conclude that the requirement of reasonableness, as stipulated in the SCM manual, could never be applied to any of these orders. It is also reasonable to conclude that these prices were not market related and therefore, the appointment of Goldcoast Trading was not fair, equitable, transparent, competitive and cost effective.
- 20.095 Effectively, the SAPS paid R231,147.10 more than they should have to accommodate the police members in respect of these four (4) orders whilst there does not appear to be any issue concerning the availability of accommodation.
- 20.096 I can also conclude from previous documents<sup>1</sup> identified amongst the records of Goldcoast Trading and or the SAPS SCM unit, which are letters from Goldcoast Trading addressed to the SAPS wherein it was recorded that Goldcoast Trading was only an accommodation broker and therefore, makes a 20% profit on their cost of sales. It is clearly evident from my examination of these four (4) orders that their profit margins were nowhere near 20% and as a result, they have misrepresented their profit margins to the SAPS.

**B24**  
**B25|3**

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<sup>1</sup> Refer to paragraph 12.053 to 12.056 (Document No 21021 (**B24**)) and paragraph 12.057 to 12.060 (Document No. 18412|3 (**B25|3**)).

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- 20.097 Madhoe has approved these orders and did not have the authority to do so as only a functionary of Director or higher had the authority to approve orders where only a single quotation was obtained.

A1|212

*(ii) Durban North*

H18 – H20

- 20.098 Two (2) orders in the aggregate amount of R217,500 were awarded to Goldcoast Trading by the SAPS for deployments in Durban North. A summary of these two orders, the cost of sales and gross profit margins realised by Goldcoast Trading are detailed hereunder:

H18

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AD341711	112,500.00	60,000.00	52,500.00	88	(01)
AD341712	105,000.00	56,000.00	49,000.00	88	(01)
<b>Total</b>	<b>217,500.00</b>	<b>116,000.00</b>	<b>101,500.00</b>	<b>88</b>	

H19

H20

**Notes**

- (01) The submission document for this order indicates that only one quotation was obtained as no other accommodation was available (**Document No. 000689 (H19b|2) and 000696 (H20b|2)**).

H19b|2

H20b|2

- 20.099 In both instances, Narainpershad has certified, by appending what appears to be his signature, that the charges by Goldcoast Trading were fair and reasonable. Taking into account Goldcoast Trading's cost of sales it is clear that these charges were not fair and reasonable and therefore, the police have paid R101,500 more for these services than they should have.

PwC

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20.100 I have also determined that, in these two instances, Goldcoast Trading's gross profit margins realised was 88% which margin is in conflict with two letters they addressed to the police that is discussed in preceding paragraphs of my report where they have indicated that their profit margins are only 20%<sup>1</sup>.

**B24**  
**B25|3**

20.101 Madhoe has approved, by appending what appears to be his signature, the procurement of these services on the submission document, which he did not have the authority to do as only a Director, or higher ranked officer had the authority to approve orders on a single quotation whilst ensuring that proof of the reasonableness of their quotation is available for audit purposes.

**A1|212**  
**A1|210**

**(iii) Gamalakhe****H43 – H44**

20.102 One (1) order in the amount of R120,000 was awarded to Goldcoast Trading for the accommodation of police members at Gamalakhe region. A summary of this order, the cost of sales and gross profit margins realised by Goldcoast Trading is detailed hereunder:

**H43**

<b>Order No</b>	<b>Invoice Amount ( R )</b>	<b>Cost Price ( R )</b>	<b>Gross Profit ( R )</b>	<b>Gross Profit %</b>	<b>Note</b>
AD336696	120,000	26,400	93,600	355	(01)

**H44****Notes**

(01) Only one quotation was obtained due to the urgency of the matter (**Document No. 000839**).

**H44b|2**

<sup>1</sup> Refer to paragraph 12.053 to 12.056 (Document No 21021 (**B24**)) and paragraph 12.057 to 12.060 (Document No. 18412|3 (**B25|3**)).

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20.103 The call up instruction received from the deployment of police personnel in the Port Shepstone region is dated 29 December 2009 (**Document No. 000890**) and states in paragraph 4.1 that :*"POP Empangeni members will be accommodated at no. 795 Marine Drive Shelly Beach – Coastals Letting Apartment, (Bed only)"*. Based on this call up instruction, it appears that the members were pre-booked to stay at Coastal Letting Apartments as at 29 December 2009. H44b|3-4  
H44b|4

20.104 The submission document (**Document No. 000839**) dated 29 December 2009 reflects in paragraph 2.1 that *"one quote obtained due to the urgency of the situation"* and this quote was from Goldcoast Trading in the amount of R120,000, Based thereon, Narainpershad has recommended that Goldcoast Trading be appointed to provide the service in the interest of public safety and to maintain law and order. An extract of paragraph 2 to 4 of this submission is illustrated in Record 114 below. H44b|2

**Record 114****2. QUOTATIONS OBTAINED**


2.1 One quote obtained due the urgency of the situation.

**3. COST IMPLICATIONS**

3.1. Goldcoast Trading : 2009-12-30 to 2010-01-23 :R120 000.00 (8 members)

**4. RECOMMENDATION**

In view of the above, paragraph 3.1. is recommended. It is in the interest of public safety and to maintain law and order that this application be approved.

  
CAPTAIN  
A NARAINPERSHAD

**H44b|2**

PwC



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- |        |   |                      |
|--------|---|----------------------|
| 20.105 | However, the quotation obtained from Goldcoast Trading ( <b>Document No. 893</b> ) is dated 6 January 2010 seven (7) days after the submission ( <b>Document No. 000839</b> ) was prepared and signed by Narainpershad, which is dated 29 December 2009. The only reasonable conclusion to make from this observation is that when the submission was signed by Narainpershad, and or approved by Madhoe, they did not have Goldcoast Trading's quotation and may have only obtained a verbal one from Panday and or Goldcoast Trading on the 29 December 2009. | H44b 6<br><br>H44b 2 |
| 20.106 | I have also observed that the call up instruction indicates that the members would be accommodated at Coastal Letting Apartments and therefore, it would be reasonable to conclude that the accommodation of these members, at the aforementioned venue, had already been prearranged when this call up instruction was issued. Therefore, there was no urgency or reason to approach Goldcoast Trading for a quotation as Narainpershad or members of the SCM unit could have approached Coastal Holiday Letting directly.                                     | H44b 3-4             |
| 20.107 | I have also identified amongst Goldcoast Trading's records a statement from Coastal Holiday Letting ( <b>Document No. 021237</b> ) and an email from Cindy McDonald of Coastal Holiday Letting dated 29 December 2009 addressed to Panday ( <b>Document No. 021236</b> ).   | H44c 1<br><br>H44c 2 |
| 20.108 | The aforementioned statement reflects that Goldcoast Trading were charged by Coastal Holiday Letting for accommodating eight (8) members for twenty four (24) nights at R1,100 per night which equates to R26,400 <sup>1</sup> .  | H44c 2               |
| 20.109 | There is also an email from Cindy McDonald to Panday's email address although the email itself is addressed to Kajal which email included a quote for the amount of R27,400 and which quote included a R1,000 breakage deposit.   | H44c 2               |

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<sup>1</sup> 24 nights x R1,100 per night = R26,400

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- 20.110 Based on the aforementioned documents, I can conclude that the Goldcoast Trading made a gross profit in the amount of R93,600 (355%) of the R120,000 invoiced to the police.
- 20.111 It would appear therefore that the police had paid R93,600 more for this service as the market related, or fair and reasonable price for this accommodation was only R26,400. At the very least, Narainpershad should have verified whether the quoted price of Goldcoast Trading was fair and reasonable taking into account that only one quotation was obtained.
- 20.112 Madhoe has also approved the order, as what appears to be his signature is appended to the submission, on a single quotation when he did not have the delegated authority to do so in addition to, the fact that there is no evidence of the proof of reasonableness being made available for audit purposes on file.

**(iv) Ingwenyama Conference and Sport Resort**

H64 - H65

- 20.113 One (1) order in the amount of R20,400 was awarded to Goldcoast Trading for the accommodation of police members at Ingwenyama Conference and Sport's Resort. A summary of this order, the cost of sales and gross profit margins realised by Goldcoast Trading is detailed hereunder:

H64

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AD339990	20,400.00	8,700.00	11,700.00	134	(01)

H65

**Notes**

- (01) The basis on which Goldcoast Trading was awarded this order is not known at time of issuing this report. I have been unable to locate a submission or any other document which indicates the procurement procedures followed, if any, in respect of this order.

PwC

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20.114 Narainpershad, by appending what appears to be his signature, has certified that the charges invoiced by Goldcoast Trading were fair and reasonable. Taking into account Goldcoast Trading's cost of sales it is clear that these charges were not fair and reasonable and therefore, the police have paid R11,700 more for this service than they should have.

20.115 Goldcoast Trading's profit margin in relation to this order is 134% which margin is in conflict with two letters that was addressed to the police and which is discussed in preceding paragraphs of my report where they have indicated that their profit margins are only 20%<sup>1</sup>.

**B24****B25|3**

20.116 I cannot conclude who approved this order as the supporting documentation is not available in the documents that have been provided to me for analysis.

**(v) Newcastle**

**H71 - H78**

20.117 Seven (7) orders in the aggregate amount of R930,130 were awarded to Goldcoast Trading for accommodation of police members in the Newcastle region. A summary of these orders, Goldcoast Trading's cost of sales and profit margin's realised on these orders is detailed hereunder:

**H71**

<sup>1</sup> Refer to paragraph 12.053 to 12.056 (Document No 21021 (**B24**)) and paragraph 12.057 to 12.060 (Document No. 18412|3 (**B25|3**)).

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Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note	
AD339694	133,280	37,440	95,840	256	(01)	H71
	5,250	1,800	3,450	192	(01)	H72
AD339695	133,280	43,680	89,600	205	(01)	H73
	5,250	2,100	3,150	150	(01)	H74
AD339982	114,240	33,480	80,760	241	(02)	H75
	4,500	1,800	2,700	150	(02)	H76
AD339983	133,280	43,680	89,600	205	(02)	H77
	5,250	2,100	3,150	150	(02)	H78
AD339984	133,280	39,060	94,220	241	(02)	H79
	5,250	2,100	3,150	150	(02)	H80
AD341703	114,240	0	0		(02)	H81
	4,500	0	0		(02)	H82
AD341704	133,280	0	0		(02)	H83
	5,250	0	0		(02)	H84
<b>Total</b>	<b>930,130</b>	<b>207,240</b>	<b>465,620</b>			H85

**Total Reconcilable  
invoices to cost of  
sale invoices**

**672,860      207,240      465,620      225**

**Notes**

(01) The supporting documents for these orders indicate that only one quotation was obtained due to the urgency of the situation.

(02) Only one quotation was obtained as this was an extension to an existing deployment and members were already residing at the venue.

20.118 In respect of all seven (7) payments to Goldcoast Trading, Narainpershad appears to have certified that the charges were fair and reasonable. Taking into account Goldcoast Trading's cost of sales (R207,240) for the R672,860 invoiced to the police it is reasonable to conclude that these charges were not fair and reasonable. As a result, the police have paid R465,620 more for the accommodation that was invoiced to them than they should have.

**H72 - H78**

PwC

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- |        |   |                               |
|--------|---|-------------------------------|
| 20.119 | In all five (5) instances where I have been able to determine Goldcoast Trading's cost of sales, I have also been able to confirm that their profit margins on these invoices to the police was in conflict with two letters that they have addressed to the police that is discussed in preceding paragraphs of my report where they have indicated that their profit margins are only 20% <sup>1</sup> .  | <b>B24<br/>B25 3</b>          |
| 20.120 | The first order (AD339694) indicates that Goldcoast Trading was appointed because of the urgency that existed in the Amajuba District Municipality and therefore, only one quotation was obtained. However, as I have already discussed in detail in my report under the topic of Part 5 - Urgent and Emergency Cases <sup>2</sup> , it is a requirement in the SAPS SCM manual that the principle of competition is adhered to, as far as possible, whilst it is also mandatory to take reasonable steps to ensure that a fair price is obtained. It is evident from the gross profit margins realised by Goldcoast Trading that the prices tendered to the police were not fair and reasonable. | <b>H72b 2<br/><br/>A1 218</b> |
| 20.121 | It is also a requirement that when procuring goods or services on an urgent or emergency basis, as defined in the SCM manual, to ensure that the reasons for the urgency or emergency or the losses or consequences that will follow if action is not taken, must be certified by a functionary holding at least the rank of Director and placed on file for audit purposes.  | <b>A1 218</b>                 |
| 20.122 | Madhoe has approved the procurement of the services of Goldcoast Trading in respect of this order while he did not have the authority to do so as he is only a Senior Superintendent. Neither is there any evidence on the submission, or elsewhere, that confirms that the urgency of the situation was certified by a functionary holding the rank of at least director.  | <b>H72b 2</b>                 |

<sup>1</sup> Refer to paragraph 12.033 to 12.036 (Document No 21021 (B24)) and paragraph 12.037 to 12.040 (Document No. 18412|3 (B25|3)).

<sup>2</sup> Refer to paragraph 11.026 to 11.028.

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- 20.123 All subsequent orders are an extension to the initial order in which the urgent situation was addressed and approved in a submission contrary to the SAPS SCM manual, which therefore means that, in spite of the fact that it was an extension, it was still necessary to ensure that the prices submitted were fair and reasonable whilst these extensions had to be approved by a functionary of Director or higher should only one quotation have been obtained. There is no evidence available to suggest that any of these orders were approved by a functionary of Director or higher.

**(vi) Pinetown**

H103 – H105

- 20.124 Two (2) orders in the aggregate amount of R149,850 were awarded to Goldcoast Trading for accommodation of police members in the Pinetown region. A summary of these orders, Goldcoast Trading's cost of sales and gross profit margins realised for these orders is detailed hereunder:

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AC910573	29,970	10,500	19,470	185	(01)
AD336695	119,880	30,492	89,388	293	(02)
<b>Total</b>	<b>149,850</b>	<b>40,992</b>	<b>108,858</b>	<b>266</b>	

H104

H105

**Notes**

- (01) Only one quotation was obtained due to the call up instruction received on 18/11/2009 at 10:00 only and the close proximity to the training venue (**Document No.000715**).
- (02) Only one quote was obtained as no other accommodation available that is close to the training (**Document No. 000673**).

H104b|1

H105b|2

- 20.125 The call up instruction received in respect of order No. AC910573 (**Document No. 00716**) is an email from Inspector K Stephen dated 17 November 2009 at 03:20pm addressed to POP Commanders in Pietermaritzburg, Newcastle and Port Shepstone.

H104b|2

PwC

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- 20.126 Paragraph 2 of this call up instruction indicates that members would be accommodated at Miss Gets, 10 Beare Drive, Padfield Park, Pinetown. This means that, when the call up instruction was issued on 17 November 2009, Inspector K Stephen already knew that the police members identified in the call up instruction would be accommodated at Miss Gets, before the call up instruction was sent to Narainpershad and Madhoe. I have further observed that, at the bottom of the page, there is a KwaZulu-Natal SCM stamp appended thereon which contains a signature similar to Narainpershad. An extract of this stamp is illustrated in Record 115 below:

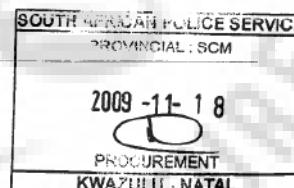
H104b|2

## Record 115

2. MEMBERS WILL BE ACCOMMODATED AT MISS GETS, 10 BEARE DRIVE, PADFIELD PARK, PINETOWN
3. MEMBERS WILL QUALIFY FOR DAILY SUBSISTANCE AND MEALS (BREAKFAST, LUNCH AND SUPPER) FOR THE DURATION OF THE TRAINING INTERVENTION.
4. FOR THIS PURPOSE MEMBERS MUST USE THE FOLLOWING CODES:  
 OBJECTIVE: 3723  
 RESPONSIBILITY: 0192
5. MEMBERS MUST REPORT AT POP DURBAN NO LATER THAN 07:00 ON THE 18<sup>TH</sup> OF NOVEMBER 2009.

SENT ON BEHALF OF  
 DIRECTOR HUNTER  
 PROVINCIAL COMMANDER : OPERATIONAL RESPONSE SERVICE  
 KWA-ZULU NATAL

2009/11/18



- 20.127 The submission from Narainpershad dated 18 November 2009 (**Document No. 000715**) indicates that only one quote was obtained from Goldcoast Trading due to the call up instruction being received on 18 November 2009 at 10:00 as a result, he made a recommendation to Madhoe to approve the order to Goldcoast Trading. An extract of this statement is illustrated in Record 116 below:

H104b|1

PwC



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## Record 116

H104b|1

## 2. QUOTATIONS OBTAINED

- 2.1 Only one quote was obtained due to the call up instruction received on 2009-11-18 at 10:00 only and the close proximity of the training venue.

## 3. COST IMPLICATIONS

- 3.1. GOLDCOAST TRADING : 2009-11-18 to 2009-11-23 : 5 Members R29 970.00

## 4. RECOMMENDATION

In view of the above, paragraph 3.1 is recommended.

372 300 2200

20.128 Included with these documents is a quotation from Goldcoast Trading (**Document No. 000717**) dated 18 November 2009 for the accommodation of members at Miss Gets Bed and Breakfast which quote is in the amount of R29,970. This quote is dated a day after the date of the call up instruction and therefore, it would be reasonable for me to conclude that this quotation was obtained subsequent to the call up instruction being issued. Therefore, when Goldcoast Trading were asked to quote the only reasonable inference to be made is that they already knew where to book the accommodation.

H104b|3

H104b|2

20.129 I have not identified the sales invoice from Miss Gets Bed and Breakfast in the records of Panday, however I can confirm that the bank statements of Goldcoast Trading (**Document No. 030195**) indicates that, on 25 November 2009, an amount of R10,500 was paid to Mrs Gets B & B in Pinetown. As a result of this entry appearing in Goldcoast statement, I have concluded that Goldcoast Trading's cost of sales, in relation to this invoice, is R10,500.

H104d|1

20.130 Madhoe, by appending what appears to be his signature, has approved the recommendation made by Narainpershad that the order be awarded to Goldcoast Trading in the amount of R29,970 on the basis of a single quotation. The SCM manual provides that only a Director and or higher rank has the authority to approve quotations on the basis of a single quotation greater than R10,000 and as a result, Madhoe had no authority to approve this order.

H104b|1

A1|211-212

PwC

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- 20.131 Based on the above, it would be reasonable to conclude that the price of accommodation for police members at Miss Gets Bed and Breakfast in the amount of R29,970 is unreasonable as the cost price to Goldcoast Trading was only R10,500. This means that they made a gross profit of R19,470 (185%) on their cost of sales which cost is the reasonable price for this deployment.
- 20.132 Narainpershad was involved with the procurement of the services of Goldcoast Trading, in addition to making the recommendation to Madhoe that the order is awarded to this entity; whilst Narainpershad has also certified, by appending what appears to be his signature, the payment to Goldcoast Trading and by doing so has certified that the prices are fair and reasonable when they were not. **H104a|1**
- 20.133 Effectively, the police have paid R19,470 more for the services procured from Goldcoast Trading whilst Narainpershad has also misled Madhoe and or the police into believing that only one quote was obtained when he ought to have approached Mrs Gets Bed and Breakfast directly as he knew from Inspector K Stephens email that accommodation had already been secured at Mrs Gets Bread and Breakfast.
- 20.134 The second order (AD336695) was issued to Goldcoast Trading in the amount of R119,880 for the accommodation of police members at Miss Gets Bed and Breakfast on the basis of a single quotation which was approved by Madhoe, by appending what appears to be his signature. **H105a|1**
- 20.135 I will not discuss the detail content of this order other than to reaffirm that Madhoe did not have the authority to approve the recommendation to procure on a single quotation that was made to him by Narainpershad in the submission document (**Document No. 000673**) and there had to be evidence available to show the reasonableness of the quoted price, however there is none. **H105b|2**

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- 20.136 I have also located amongst Panday's records an invoice from Mrs Gets Bed and Breakfast dated 3 March 2010 (**Document No. 020312**) which is for the accommodation of five members for the period 21 February 2010 to 14 March 2010 in the amount of R30,492. In addition to this invoice, I have been able to confirm from the bank statements of Goldcoast Trading that the aforementioned invoice amount was paid to Mrs Gets Bed and Breakfast on 12 March 2010 (**Document No. 030208**). H105c|1
- 20.137 The fact that the Goldcoast Trading bank statement shows a payment to Mrs Gets B & B in Pinetown, which payment also reconciles to their invoice, reaffirms my conclusion made above with regards to order No. AC910573 (**Document No. 012026**) and the cost price of this service to Goldcoast Trading that was obtained from the payment made to Mrs Gets Bed and Breakfast in the amount of R10,500. H105d|1
- 20.138 In aggregate, Goldcoast Trading invoiced the police an amount of R149,850 for deployments in the Pinetown region, specifically where accommodation was for Mrs Gets Bed and Breakfast. Their cost of sales from Mrs Gets was only R40,992 which means that Goldcoast Trading made a gross profit of R108,858 or 266% on their cost of sales. H104a|1
- 20.139 This was all done based on single quotations, which were recommended by Narainpershad and approved by Madhoe, who did not have the delegated authority to approve these orders.
- 20.140 In one instance, Narainpershad already knew when he received the call up instruction from Inspector K Stephen that the members would be accommodated at Mrs Gets but indicated in his submission to Madhoe that only one quotation was obtained from Goldcoast Trading because of the lateness in which the instruction was received and the urgency of the matter being a day after the call up instruction was prepared.

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**(vii) Pongola****H106 – H112**

- 20.141 Six (6) orders in the aggregate amount of R1,044,625 were awarded to Goldcoast Trading for the accommodation of police members in the Pongola region. A summary of these orders, Goldcoast Trading's cost of sales and their gross profit margins realised on these orders is detailed hereunder:

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AC910552	240,375	120,000	120,375	100	(02)
AC910569	196,000	90,000	106,000	118	(01)
AC337273	194,000	96,000	98,000	102	(01)
AD338701	181,875	90,000	91,875	102	(01)
AD338702	36,375	18,000	18,375	102	(01)
AD341748	196,000	50,400	145,600	289	
<b>Total</b>	<b>1,044,625</b>	<b>464,400</b>	<b>580,225</b>	<b>125</b>	

**H107****H108****H109****H110****H111****H112****Notes**

- (01) The submission indicates that three quotes were obtained from Pongola Country Lodge, Pendlebury's Guest Suites and Goldcoast Trading although these quotes are not available for audit purposes. Although the submission indicates the identity of the entities who issued quotations, there is no evidence on these quotations as to the amounts quoted by either entity.
- (02) The submission indicates that three quotes were obtained from Pongola Country Lodge, Pendleburys Guest Suites and Goldcoast Trading although these quotes are not available for audit purposes. Paragraph 3.1. and 3.2 reflects two prices for Goldcoast Trading and Pongola Country Lodge both which appear to have been treated as two separate orders as there appears to be different financial authority numbers appended adjacent to each of these two entities. Refer to Record 117 below for an extract of this entry.

PwC

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## Record 117

H107b|1

## 2. QUOTATIONS OBTAINED


- 2.1 Three quotations were obtained by me from the following service providers .  
 2.2 PONGOLA COUNTRY LODGE  
 2.3 PENDLEBURY'S GUEST SUITES  
 2.4 GOLDCOAST TRADING

## 3. COST IMPLICATIONS

- 3.1. PONGOLA COUNTRY LODGE : 3723001879 : 2009-10-11 to 2009-11-08 : 20 Members R196000.00  
 3.2. GOLDCOAST TRADING : 3723001880 : 2009-10-11 to 2009-10-30 : 25 Members R200000.00

## 4. RECOMMENDATION

In view of the above paragraph 3.1 and 3.2 is recommended. It is in the interest of public safety and the safety of members from the justice department that this application be approved.

  
 CAPTAIN  
 A. NARAINPERSHAD

20.142 All the submissions were from Narainpershad and these were all approved by Madhoe who had the delegated authority to procure from services providers when three quotes were obtained provided that the amount payable to the service provider was less than R200,000.

20.143 However, I have observed from the examination of documents relating to Order No. AC910552 that Madhoe has approved the order in the submission that was presented to him by Narainpershad, whilst he has also certified the payment to Goldcoast Trading by appending what appears to be his signature to the order payment transaction form (**Document No. 011746**) which is contrary to the SCM manual.

H107b|1

H107a|1

20.144 I have also established from the available documents that the accommodation of the members in relation to all six (6) of these orders was done at Crocodile Creek whose cost price to Goldcoast Trading, inclusive of breakfast, was R240 per person (**Document 022409**).

H107c|1

20.145 Based on the aforementioned Crocodile Creek invoice, I have established that the aggregate cost of sales to Goldcoast Trading, in relation to the deployments in Pongola region, was R464,400 which means that they have made a gross profit of R580,225 (125%) in relation to these orders.

H107c|1

H106

PwC

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20.146 I cannot conclude what exact procurement procedures were followed, if any, other than what has been disclosed on the submissions and therefore, cannot determine whether there was anything unusual or irregular in Goldcoast Trading's appointment for either of these orders. I can conclude that, shortly after these orders were awarded to Goldcoast Trading, Narainpershad and Madhoe started to receive benefits or gifts from Panday; the first of which was received on 14 November 2009 by Madhoe for accommodation at the Oyster Box<sup>1</sup>.

A81

20.147 I can also conclude from documents located amongst the exhibits made available to me that Goldcoast Trading have indicated in letters to the SAPS that they are an accommodation broker and only make a gross profit of 20% on their cost of sales. My analysis of all the documents relating to the Pongola deployments has revealed that they marked up their cost of sale invoices by significantly more than 20%.

**(viii) Stanger**

H113 – H114

20.148 One (1) order was awarded to Goldcoast Trading in the amount of R94,600 for accommodation of police members in the Stanger region. A summary of this order, Goldcoast Trading's cost of sales and gross profit margins are detailed hereunder:

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AD341702	94,600	33,867	60,733	179	(01)

H114

**Notes**

(01) There are no submissions available for me to examine in respect of this order and therefore, I cannot conclude on what basis Goldcoast Trading were appointed to provide accommodation to the police.

<sup>1</sup> Refer to the table in paragraph 15.017 for a summary of these payments / benefits and the dates that they accrued to either Narainpershad or Madhoe.



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- 20.149 Goldcoast Trading have invoiced the police an amount of R94,600 as per their invoice No. 100109 (**Document No. 011688**) which invoice indicates that nineteen (19) members were located at Channel Rock and twenty four (24) members at Kearsney Manor. An extract of this invoice is illustrated in Record 118 below

H114a|2

## Record 118

QTY	DESCRIPTION	@	R	
43	Stanger Deployment	R550.00	R94,600	00
	19 Member @ Channel Rock			
	24 Members @ Kearsney Manor			
	Check in - 08-03-2010			
	Check out - 12-03-2010			
	(4 nights)			
	NO BREAKFAST			

- 20.150 Based on the aforementioned description appearing on Goldcoast Trading's invoice, I have located amongst Goldcoast Trading's records two (2) invoices from Channel Rock Duplexes (**Document No. 020898** and **020899**) in the amounts of R1,800 each and an invoice from Kearsney Manor (**Document No. 020904**) in the amount of R30,267.

H114c|1-2

H114c|3

- 20.151 Based on the discovery of the aforementioned cost of sale invoices to Goldcoast Trading, I can conclude that they made a gross profit of R60,733 or 179% on R94,600 that was invoiced to the police.

H114c|1-3

H114a|2

- 20.152 I have also determined from an affidavit obtained from Monique Pretorius, the Manageress of Channel Rocks Duplexes, that their cottages cannot accommodate nineteen (19) persons at any given time. She further stated that Goldcoast Trading booked members into cottage number 1 and number 2 both of which have three (3) rooms and five (5) beds.. Therefore, I estimate that the maximum number of members that could be accommodated for each cottage that was hired from Channel Rocks Duplexes would be ten (10).

H114e

PwC



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- |        |   |                    |
|--------|---|--------------------|
| 20.153 | It would therefore appear, in this instance, that Goldcoast Trading have inflated their invoice to the police for nine (9) additional police members at Channel Rocks which in aggregate amount to R550 per person per night which equates to R19,800 <sup>1</sup> .  | <b>H114a 2</b>     |
| 20.154 | Narainpershad has certified, by appending what appears to be his signature to the payment document that the prices charged by Goldcoast Trading were fair and reasonable. Based on Goldcoast Trading's cost price of these services is reasonable to conclude that the R94,600 invoiced to the police was not fair and reasonable and therefore, he has misled the police when he authorised the payment. | <b>H114</b>        |
|        | <b>(ix) Sundumbili</b>  | <b>H115 – H133</b> |
| 20.155 | Eighteen (18) orders in the aggregate amount of R2,042,530 have been awarded to Goldcoast Trading for accommodation of police members in the Sundumbili region. A summary of these orders, Goldcoast Trading's cost of sales and their profit margins are detailed hereunder:   | <b>H115</b>        |

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<sup>1</sup> 4 nights x 9 members x R550 a night = R19,800

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Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note	
AD338710	116,865	36,400	80,465	221	(01)	H116
AD338711	116,865	36,400	80,465	221	(01)	H117
AD338712	110,250	36,400	73,850	203	(01)	H118
AD338723	110,250	41,600	68,650	165	(01)	H119
AD338720	110,250	36,400	73,850	203	(01)	H120
AD338731	110,250	36,400	73,850	203	(01)	H121
AD338736	110,250	41,600	68,650	165	(01)	H122
AD338699	110,250	36,400	73,850	203	(02)	H123
AD338698	110,250	36,400	73,850	203	(01)	H124
AD336700	110,250	36,400	73,850	203	(02)	H125
AD336699	110,250	36,400	73,850	203	(02)	H126
AD336698	110,250	36,400	73,850	203	(02)	H127
AD339976	110,250	36,400	73,850	203	(02)	H128
AD339974	110,250	36,400	73,850	203	(02)	H129
AD339975	110,250	36,400	73,850	203	(02)	H130
AD339973	110,250	36,400	73,850	203	(02)	H131
AD339972	94,500	36,400	58,100	160	(02)	H132
AE017172	170,800					H133
<b>Total</b>	<b>2,042,530</b>	<b>629,200</b>	<b>1,242,530</b>	<b>225</b>		

**Total Reconcilable**

<b>invoices to cost of sale invoices</b>	<b>1,871,730</b>	<b>629,200</b>	<b>1,242,530</b>	<b>197</b>
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**Notes**

- (01) Only one quotation was obtained due to the urgency of the situation.
- (02) Only one quotation was obtained as this was an extension to an existing deployment and members were already residing at the venue.

PwC

References in the margin refer as follows:

(A - H) prefix - Annexure Number

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- 20.156 My findings from the analysis of the abovementioned Sundumbili orders revealed that, for seventeen (17) of the aforementioned eighteen (18) orders, there was no competitive bidding as the submission documents indicate that only one quotation was obtained either because it was an urgent matter or it was an extension to an existing order. **H115**
- 20.157 Madhoe has authorised sixteen (16)<sup>1</sup> of these seventeen (17) orders, by appending what appears to be his signature to the submission confirming that he approves the recommendation made by Narainpershad that the order should be awarded to Goldcoast Trading on the basis that it was either an urgent matter or an extension to an existing deployment. This was done by Madhoe even though he was not authorised to approve the orders in terms of the SCM manual where only single quotations were obtained.
- 20.158 I can also conclude that Goldcoast Trading's cost of sales for R1,871,730 of R2,042,530 invoiced to the police is R629,200 which means that they made a gross profit of R1,242,530 or 197% on their cost of sales for the Sundumbili deployments alone.
- 20.159 Narainpershad, who was involved with the procurement of Goldcoast Trading, has also certified, by appending what appears to be his signature, the payment order transaction form and by doing so has certified that the charges invoiced by Goldcoast Trading were fair and reasonable.
- 20.160 The SAPS SCM manual does permit officials to procure goods, and or services, on a single quotation provided that the order is approved by an officer of the police with the rank of Director or higher, and provided that there is evidence in the file for audit purposes validating that the prices charged were fair and reasonable. I have not been able to locate, amongst these documents, any evidence to confirm that any of these two requirements had been performed by Narainpershad or Madhoe. **A1|210**

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<sup>1</sup> Order No.AD338731 (**H121**) was approved by Superintendent L Naidoo (**H121b|2**).

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- 20.161 However, one of my more significant findings from my analysis of the supporting documents for all the orders that were awarded to Goldcoast Trading for the Sundumbili Deployment is that, either Narainpershad and or Madhoe, have spilt the orders so that they were less than the approved delegated amount of Madhoe i.e. R200,000. A reasonable inference that can be concluded from the abovementioned observation is that the only reason for splitting the orders was so that Madhoe could approve these orders without the matter being referred to the BAC, as Madhoe only had the delegated authority to authorise the procurement of goods and services that were less than R200,000. Anything above R200,000 had to be approved by the BAC. **H115a**
- 20.162 My analysis comprises of an examination of the dates that appear on the call up instructions, the submission, the Goldcoast Trading quotations and their invoices from which I can confirm that only eight call up instructions were issued which were used for seventeen (17) orders so that the amounts invoiced by Goldcoast Trading would be less than the R200,000. A summary of these findings is detailed hereunder: **H115|3**

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Payment Documents			Call Up Instruction			Submission				Invoice	
No	Order No	Invoice Amount ( R )	Description of letter	Start	End	Date	Quote Start	Quote End	Quote Amount ( R )	Amount ( R )	Total ( R )
1	AD338710	116,865	Detachment Letter	04/12/2009	18/12/2009	04/12/2009	04/12/2009	11/12/2009	116,865	116,865	233,730
2	AD338711	116,865	Detachment Letter	04/12/2009	18/12/2009	10/12/2009	11/12/2009	18/12/2009	116,865	116,865	
3	AD338712	110,250	Extension letter	18/12/2009	08/01/2010	18/12/2009	18/12/2009	25/12/2009	110,250	110,250	330,750
4	AD338723	110,250	Extension letter	18/12/2009	08/01/2010	24/12/2009	25/12/2009	01/01/2010	110,250	110,250	
5	AD338720	110,250	Extension letter	18/12/2009	08/01/2010	30/12/2009	01/01/2010	08/01/2010	110,250	110,250	220,500
6	AD338731	110,250	Extension letter	08/01/2010	22/01/2010	07/01/2010	08/01/2010	15/01/2010	110,250	110,250	
7	AD338736	110,250	Extension letter	08/01/2010	22/01/2010	15/01/2010	15/01/2010	22/01/2010	110,250	110,250	220,500
8	AD338699	110,250	Extension letter	22/01/2010	05/02/2010	21/01/2010	22/01/2010	29/01/2010	110,250	110,250	
9	AD338698	110,250	Extension letter	22/01/2010	05/02/2010	28/01/2010	29/01/2010	05/02/2010	110,250	110,250	220,500
10	AD336700	110,250	Extension letter	05/02/2010	19/02/2010	04/02/2010	05/02/2010	12/02/2010	110,250	110,250	
11	AD336699	110,250	Extension letter	05/02/2010	19/02/2010	11/02/2010	12/02/2010	19/02/2010	110,250	110,250	220,500
12	AD336698	110,250	Extension letter	19/02/2010	05/03/2010	18/02/2010	19/02/2010	26/02/2010	110,250	110,250	
13	AD339976	110,250	Extension letter	19/02/2010	05/03/2010	26/02/2010	26/02/2010	05/03/2010	110,250	110,250	220,500
14	AD339974	110,250	Extension letter	05/03/2010	19/03/2010	11/03/2010	12/03/2010	19/03/2010	110,250	110,250	
15	AD339975	110,250	Extension letter	05/03/2010	19/03/2010	04/03/2010	05/03/2010	12/03/2010	110,250	110,250	204,750
16	AD339973	110,250	Extension letter	19/03/2010	01/04/2010	25/03/2010	26/03/2010	01/04/2010	110,250	110,250	
17	AD339972	94,500	Extension letter	19/03/2010	01/04/2010	25/03/2010	26/03/2010	01/04/2010	110,250	94,500	170,800
18	AE017172	170,800	Not available			Not Available				170,800	
Total		2,042,530								2,042,530	

PwC

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- 20.163 I shall not discuss the supporting documents in relation to all of the abovementioned orders but shall merely refer to a few examples to illustrate the reasons why I have concluded that Narainpershad and or Madhoe have spilt the orders.
- 20.164 The first two (2) orders detailed in the abovementioned table, AD338710 and AD338711, both contain the same call up instruction which is for the period 4 December 2009 to 18 December 2009. The headings that appear on both these call up instructions are identical as illustrated in Record 119 and Record 120 below.

H116 &amp; H117

H116b|4

H117b|4

## Document No 666 (H116b|4)

## Document No. 000658 (A117b|4)

## Record 119

DETACHMENT DUTIES : POP EMPANGENI AND POP ULUNDI MEMBERS :  
INTERGROUP CONFLICT : SUNDUMBILI : FROM FRIDAY 2009-12-04 TO  
FRIDAY 2009-12-18

## Record 120

DETACHMENT DUTIES : POP EMPANGENI AND POP ULUNDI MEMBERS :  
INTERGROUP CONFLICT : SUNDUMBILI : FROM FRIDAY 2009-12-04 TO  
FRIDAY 2009-12-18

- 20.165 Despite the dates on these call up instructions being identical, Goldcoast trading have provided the SAPS with two quotations for the aforementioned period but have spilt the quotes for the following days:

- i) 4 December 2009 to 11 December 2009 R116,865 (Document No. 000665) (Illustrated in Record 121 below); and
- ii) 11 December 2009 to 18 December 2009 R116,865 (Document No. 000657) (illustrated in Record 122 below).

H116b|3

H117b|3

## Record 121

Att: SAPS 4 December 2009

Re: Sundumbili Deployment

As per inquiry 27 police personnel to be accommodated from the 4<sup>th</sup> December 2009 till the 11<sup>th</sup> December 2009

The quote comprises of the following:

- R585.00 per person sharing (24)
- R885.00 Single rooms (3)

The total amount for the above stay is R 116,865.00

Regards

P. P. PANJAH  
Thoshan Panday

## Record 122

Att: SAPS

Re: Sundumbili Deployment

As per inquiry 27 Police Personnel to be accommodated from the 11<sup>th</sup> December 2009 till the 18<sup>th</sup> December 2009.

The quote comprises of the following:

24 members @R585.00 per person sharing  
3 Men|bers @R885.00 Single Rooms

The total owing is R116,865.00

Regards

P. P. PANJAH  
Thoshan Panday

PwC

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- 20.166 There is no reason why it was necessary for Goldcoast Trading to have spilt their quotes for the same deployment period and I can only draw an inference that, to award the work to Goldcoast Trading, the police had to ensure that the order amount was less than the delegated authorised amount for which Madhoe could approve i.e. R200,000. The aggregate cost to the police for this entire deployment period was R233,730 whilst Narainpershad and Madhoe both were aware, when they received the call up instructions, of the duration of the deployment.
- 20.167 The only reasonable inference that I can draw from the fact that Goldcoast Trading issued two quotations for different periods within the same deployment period is because the aggregate order amount would have been R233,730 and therefore, this would have had to have been submitted to BAC to approve. As a result, the deployment was spilt into two amounts of R116,865 so that it would be less than R200,000 which is the authorised delegated amount Madhoe could approve. Narainpershad, and or Madhoe, consistently followed this procedure for all seventeen (17) of the Sundumbili deployment orders that were awarded to Goldcoast Trading.
- 20.168 The subsequent orders to follow were issued on the same basis although the motivation, in these instances, is that the call up was an extension to the existing deployment and therefore, only one quotation was obtained. In all these instances, Narainpershad and or Madhoe have split each of the extensions and I suspect that they have requested Goldcoast Trading to simultaneously spilt their quotations so that the order amounts would be less than the R200,000 authorised amount delegated to Madhoe that he could approve.



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20.169 In fact, the one deployment which was for the period 18 December 2009 to 8 January 2010 was spilt into three orders, which in aggregate amount to R330,750. Had a consolidated quotation been obtained for this deployment period, the matter would have had to be approved by the BAC who had a Divisional Commissioner as a Chairperson and therefore, it would be out of Madhoe's control.

20.170 These orders were awarded to Goldcoast Trading between the period 22 December 2009 to 26 July 2010 which is the same period when Narainpershad and Madhoe receive gifts from Panday in the aggregate amount of R143,960<sup>1</sup>.

**(x) Ulundi**

H134 – H136

20.171 Two (2) orders were awarded to Goldcoast Trading in the aggregate amount of R317,200 for accommodation of police members in the Ulundi region. A summary of these two orders, Goldcoast Trading's cost of sales and their gross profit margins are detailed hereunder:

H134

Order No	Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Note
AD341701	146,400	36,920	109,480	297	(01)
AD341753	170,800	42,000	128,800	307	(02)
<b>Total</b>	<b>317,200</b>	<b>78,920</b>	<b>238,280</b>	<b>302</b>	

H135

H136

**Notes**

(01) Only one quotation was obtained as a result of the short notice and non-availability of accommodation.

H135b|1

(02) Only one quotation was obtained as members already residing at the same venue and the deployment has been extended.

<sup>1</sup> Refer to the table in paragraph 15.017 for a summary of these payments / benefits and the dates that they accrued to either Narainpershad or Madhoe.

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- 20.172 The call up instruction received in respect of order No. AD341701 (**Document No. 000908**) dated 15 February 2010 indicated, *inter alia*, in paragraph 4.1 that members would be deployed at the venues listed in Record 123 below. H135b|3

## Record 123

H135b|4

4. **FINANCIAL IMPLICATIONS**

## 4.1. Members will be accommodated as follows :-

M S Thana B&B	-	18
Vigaries Lodge	-	06
Manana Lodge	-	02

- 20.173 The submission for authority to procure the services of Goldcoast Trading is dated 15 February 2010 and indicates that only one quotation was obtained due to the short notice and non availability of accommodation. The recommendation of Narainpershad in this submission is that Goldcoast Trading should be awarded the order in the amount of R146,400 (**Document No. 000907**) whilst Goldcoast Trading's quotation (**Document No. 000910**) dated 15 February 2010 contains some of the venues in Record 123 above although the quantity of personnel differ as illustrated in Record 124 below. H135b|2

## Record 124

The quote comprises of the following: The 27 Members lived @ Vigaries, Emacusini B & B and Mathema Guest House

16 members @R700.00 Sharing Rooms

11 Members @R1200.00 Per Single Rooms

The total owing is R146,400.00

Regards

\_\_\_\_\_  
Thoshan Panday.

PwC

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- |        |   |                               |
|--------|---|-------------------------------|
| 20.174 | I have also located the sales invoices from Virgaries ( <b>Document No. 020345</b> ), Emacusini B & B ( <b>Document No. 020362</b> ) and Mthema Guest House ( <b>Document No. 020371</b> ) amongst Goldcoast Trading's records and can conclude that Goldcoast Trading's cost of sales in relation to their invoice in the amount of R146,400 was only R36,920 which means that they made a gross profit of R109,480 or 297% on their invoice to the police.  | H135c 1<br>H135c 2<br>H135c 3 |
| 20.175 | The submission ( <b>Document No. 000907</b> ), referred to above, has been approved by Madhoe, who has appended what appears to be his signature. He did not have the delegated authority to approve the procurement of these services on a single quotation as this authority is only delegated to a Director or higher ranked police officer. In addition, it is a requirement in terms of the SCM manual that, when procuring goods on a single quotation, the proof of reasonableness is placed on file for audit purposes. I have been unable to locate such evidence and, based on the gross profit margins realised by Goldcoast Trading, it is reasonable to conclude that this requirement was never adhered to. | H135b 2                       |
| 20.176 | The second order No. AD341753 ( <b>Document No. 011806</b> ) was awarded to Goldcoast Trading was also done on the basis of a single quotation and, according to the submission ( <b>Document No. 00899</b> ), this was because the members were already residing at the same venue and the deployment had been extended.   | H136a 1<br>H136b 2            |
| 20.177 | Narainpershad has recommended that the order be awarded to Goldcoast Trading whilst Madhoe has approved this recommendation even though he did not have the delegated authority to do so as only a Director or higher ranked officer had this authority.  | H136b 2                       |
| 20.178 | I have also observed from the examination of the two orders referred to above that the call up instructions for the first part and second part (extension) are identical and therefore, cannot determine on what authority this extension was authorised.   | H135b 3<br>H136b 3            |

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- 20.179 Upon further examination of the supporting documents relating to these two orders, I have discovered that the call up instructions, for both orders, indicate that the deployment period was from 16 February 2010 to 1 March 2010, however Goldcoast Trading split their quotations for the aforementioned period into two periods as detailed hereunder:

H135b|3-4

H136b|3-4

Order No	Period of Accommodation	Document No	Quotation Amount
AD341701	16 February 2010 to 22 February 2010	(000910)	R146,400
AD341753	22 February 2010 to 1 March 2010	(000902)	R170,800
<b>Total</b>			<b>R317,200</b>

H135b|5

H136b|5

- 20.180 Goldcoast Trading's invoices also support the aforementioned periods on their quotations and as a result, I can conclude that there was no extension to this deployment. Either Narainpershad or Madhoe have split the order so that a higher amount could be approved by Madhoe without referring the matter to the BAC. Had Goldcoast Trading provided a single quotation for the amount of R317,200 then, according to the SCM manual, this would have had to have been approved by the BAC who had at least a Divisional Commissioner as the Chairperson<sup>1</sup> and hence, Madhoe would not have had the delegated authority to authorise the order.

A1|217

- 20.181 As a result, Narainpershad, with the assistance of Madhoe, has misled the police by indicating, in the submission for the extension order, that only one quotation was obtained as this was an extension to an existing deployment when in fact there was no extension.

- 20.182 These deviations from the SCM procedures set out in the police's manual were done around about the same time that Panday paid for gifts for Narainpershad and Madhoe which, in aggregate, amounted to R143,960<sup>2</sup> whilst the police have also paid R238,280 more for these services than they should have.

<sup>1</sup> Refer to paragraph 11.022 to 11.023 regarding Part 3: Invitation of Bids Exceeding R200,000.

<sup>2</sup> Refer to the table in paragraph 15.017 for a summary of these payments / benefits and the dates that they accrued to either Narainpershad or Madhoe.

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**(xi) Estcourt****H21 – H42**

- 20.183 Twenty one (21) orders, in the aggregate amount of R1,705,670, were awarded to Goldcoast Trading for the accommodation of police members in the Estcourt region.
- 20.184 I have not been able to reconcile Goldcoast Trading invoices to all their cost of sale invoices, because either the quantities of members on supplier invoices did not reconcile to the numbers that appear on Goldcoast Trading invoices, or the period detailed on the suppliers invoice overlapped the deployment period on the call up instructions. As a result, I have been unable to reconcile orders and invoices in respect of Goldcoast Trading to the exact quantities.
- 20.185 I have been able to determine from the invoices issued by Goldcoast Trading that, in aggregate, they have invoiced the SAPS for 391 members over a period of 164 days which, in aggregate amount to R1,705,670. I have also identified, amongst Goldcoast Trading's records, their cost of sale invoices for 241 members for 81 days to be R281,860 however, a number of the orders issued to Goldcoast Trading could not be reconciled to any supplier invoice.
- 20.186 A summary of my findings in relation to this analysis is detailed hereunder:

**H21****H21**

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<u>Order No</u>	<u>Deployment Period</u>	<u>Days</u>	<u>Guests</u>	<u>Invoiced Amount</u> (R)	<u>Days</u>	<u>Guests</u>	<u>Cost Of Sale Amount</u> (R)	<u>Cost of sale Supplier</u>	
AD338718	01/01/2010 - 08/01/2010	7	18	73,500.00					H28
AD338703	04/12/2009 - 09/12/2009	6	54	181,140.00	6	25	15,000.00	White Mountain Lodge	H24
AD338703						13	14,040.00	Kwahlangabeza Cultural Hub	
AD338704	10/12/2009 - 11/12/2009	1	54	30,190.00	1	25	2,500.00	White Mountain Lodge	
AD338704						13	2,340.00	Kwahlangabeza Cultural Hub	
AD338705	11/12/2009 - 18/12/2009	7	16	61,600.00	7	2	3,500.00	Summerplace	H26
AD341754	18/12/2009 - 08/01/2010	21	1	27,300.00					H42
AD338707	18/12/2009 - 25/12/2009	7	18	73,500.00					H27
AD339687	24/12/2010 - 06/01/2010	14	6	113,400.00					H34
AD338721	25/12/2009 - 01/01/2010	7	18	73,500.00					H29
AD338730	08/01/2010 - 15/01/2010	7	18	73,500.00	7	16	24,640.00	Summerplace	H30
AD338737	15/01/2010 - 22/01/2010	7	18	73,500.00	7	16	24,640.00	Summerplace	H31
AD339682	19/01/2010 - 25/01/2010	6	30	137,940.00	6	18	27,000.00	Willow Grange Country Hotel	H33
AD339682						17	30,600.00	Blue Haze	
AD336694	22/01/2010 - 29/01/2010	7	18	73,500.00	7	16	24,640.00	Summerplace	H23
AD339681	25/01/2010 - 05/02/2010	11	8	118,800.00					H32
AD336693	29/01/2010 - 05/02/2010	7	18	73,500.00	7	16	24,640.00	Summerplace	H22
AD339969	05/02/2010 - 12/02/2010	7	18	73,500.00	6	8	7,200.00	Bergville	H38
AD339968	12/02/2010 - 19/02/2010	7	18	73,500.00	7	16	24,640.00	Summerplace	H37
AD341708	12/02/2010 - 19/02/2010	7	8	75,600.00	6	8	7,200.00	Bergville	H39

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<u>Order No</u>	Deployment Period	Days	Guests	Invoiced Amount (R)	Days	Guests	Cost Of Sale Amount (R)	Cost of sale Supplier
AD339967	19/02/2010 - 26/02/2010	7	18	73,500.00	7	16	24,640.00	Summerplace
AD341751	19/02/2010 - 26/02/2010	7	8	75,600.00				
AD339966	26/02/2010 - 05/03/2010	7	18	73,500.00	7	16	24,640.00	Summerplace
AD341752	26/02/2010 - 05/03/2010	7	8	75,600.00				
		164	391	1,705,670.00	81	241	281,860.00	

H36

H40

H35

H41



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- 20.187 I have also established from my examination of the deployment dates on the call up instructions to the dates appearing on Goldcoast Trading's quotations and invoices that they have spilt the orders although Madhoe's delegated authority in respect of these orders was only exceeded on two occasions, in respect of the following order numbers:

Order No	Amount ( R )	Total ( R )
i) AD338703	181,140	272,930
ii) AD338704	30,190	
iii) AD338705	61,600	
iv) AD338707	73,500	220,500
v) AD338718	73,500	
vi) AD338721	73,500	
<b>Total</b>	<b>493,430</b>	<b>493,430</b>

H24

H25

H26

H27

H28

H29

- 20.188 Owing to the lack of information available, I cannot conclusively comment on what Goldcoast Trading's aggregate cost of sales was in relation to the abovementioned Estcourt deployments.

- 20.189 In view that the aforementioned information is lacking, I cannot comment on the reasonableness of the amounts invoiced by Goldcoast Trading.

- 20.190 I am able to conclude that, for each of these orders that were issued to Goldcoast Trading, there was no competitive bidding and the orders were either issued to Goldcoast Trading on an urgent basis or because it was an extension to an existing order.

**(xii) Ladysmith**

H66-H70

- 20.191 Four (4) orders, in the aggregate amount of R675,000, was awarded to Goldcoast Trading for the accommodation of police members in the Ladysmith region.

H66

PwC

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20.192 I have not been able to reconcile Goldcoast Trading invoices to all their cost of sale invoices, because either the number of members on supplier invoices did not reconcile to the numbers that appear on Goldcoast Trading invoices, or the period detailed on the suppliers invoice overlapped the deployment period on the call up instructions. As a result, I have been unable to reconcile orders and invoices in respect of Goldcoast Trading to the exact quantities.

H66

20.193 I have been able to determine from the invoices issued by Goldcoast Trading that, in aggregate, they have invoiced the SAPS for 44 members over a period of 47 days which, in aggregate amount to R675,000. I have also identified, amongst Goldcoast Trading's records, their cost of sale invoices for 28 members for 44 days to be R64,480 however, a number of the orders issued to Goldcoast Trading could not be reconciled to any supplier invoice.

20.194 A summary of my findings from this analysis is detailed hereunder:

Order No.	Deployment period	Nights	Guests	Amount ( R )	Rate / Night ( R )
AD336697	06/01/2010 - 22/01/2010	16	8	172,800.00	1,350
AD341755	06/01/2010 - 17/01/2010	12	12	194,400.00	1,350
AD341756	17/01/2010 - 29/01/2010	12	12	194,400.00	1,350
AD341709	17/01/2010 - 29/01/2010	7	12	113,400.00	1,350
		<b>47</b>	<b>44</b>	<b>675,000.00</b>	

H67

H69

H70

H68

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Per Goldcoast Records

Supplier	Period	Nights	Guests	Amount ( R )	Rate / Night ( R )	
Budleigh	07/01/2010 - 17/01/2010	11	8	26,400.00	300	H67e 8-10
Budleigh	18/01/2010 - 24/01/2010	7	8	16,800.00	300	H67e 11-13
Budleigh	25/01/2010 - 29/01/2010	5	8	12,000.00	300	H67e 13-15
Tuskers	14/01/2010 - 22/01/2010	8	2	5,120.00	320	H67c 2 & H67d 2
Tuskers	07/01/2010 - 13/01/2010	7	1	2,240.00	320	H67d 1 & H67c 1
Tuskers	07/01/2010 - 13/01/2010	6	1	1,920.00	320	H67d 1 & H67c 1
		<b>44</b>	<b>28</b>	<b>64,480.00</b>		

<b>Difference</b>	<b>3</b>	<b>16</b>
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- 20.195 Based on the aforementioned, I have been unable to reconcile sixteen (16) members accommodation and three (3) nights of the entire Ladysmith deployment period. Therefore, either there was an overcharge by Goldcoast Trading to the SAPS or I have not identified one of their cost of sale invoices and this could be the reason why I have been unable to reconcile the aforementioned amount. H66|1
- 20.196 Irrespective of the above, I can conclude from the abovementioned analysis that Goldcoast Trading has invoiced the police R1,350 a night per member although the cost of sale invoices indicate that their costs were only R300 – R320 per person per night. This means that they were making a gross profit of at least R1,030 a person a night which equates to 322% (using the cost price of R320 a person per night).
- 20.197 Assuming that Goldcoast Trading have not overcharged the police, and that their invoice quantities and rates are correct, then it would be reasonable to conclude that their total cost to the police, using the higher rate of R320 per person per night, would be as follows:

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Goldcoast Trading					Cost of Sales		Profit	
Order No.	Nights	Guests	Rate/ Night ( R )	Amount ( R )	Rate/ Night ( R )	Total Cost of Sales ( R )	Gross Profit ( R )	Gross Profit %
AD336697	16	8	1,350	172,800	320	40,960	131,840	322%
AD341755	12	12	1,350	194,400	320	46,080	148,320	322%
AD341756	12	12	1,350	194,400	320	46,080	148,320	322%
AD341709	7	12	1,350	113,400	320	26,880	86,520	322%
	<b>47</b>	<b>44</b>		<b>675,000</b>		<b>160,000</b>	<b>515,000</b>	

H67

H69

H70

H68

20.198 This means that of the R675,000 that was invoiced to the SAPS, Goldcoast Trading made a gross profit of R515,000 on their cost of sales or alternatively 322% gross profit margin. This is the same entity who alleged in correspondence with the police that they are an accommodation broker and only make a 20% profit margin.

20.199 Madhoe, by appending what appears to be his signature, has authorised all these orders that were issued to Goldcoast Trading which was done on an urgent basis, or because it was an extension to an existing deployment. As a result, there was no competitive bidding whilst it is required, in accordance with the terms and conditions of the SCM manual, that when a service provider is appointed on a single quotation that the prices quoted are proved and certified to be fair and reasonable.

20.200 There is no evidence in the documentary evidence made available to me in respect of these orders that were issued to Goldcoast Trading that either Narainpershad and or Madhoe and or any other representative in the SCM Unit complied with this requirement.

PwC

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- 20.201 Narainpershad has also certified, when he appended, what appears to be, his signature to the Goldcoast Trading's order payment transaction form, that the prices charged were fair and reasonable. It would be reasonable to conclude, based on Goldcoast Trading's cost of sales, that their prices to the police were not fair and reasonable and therefore, Narainpershad and or Madhoe could not have complied with this requirement.
- 20.202 Madhoe has also approved all the above-mentioned orders that were issued to Goldcoast Trading in respect of these Ladysmith deployments even though only a single quotation was obtained and the SCM manual requires a Director or higher ranked officer to approve orders where only single quotations are obtained. As a result, it appears that Madhoe did not have the authority to issue these orders to Goldcoast Trading.
- 20.203 I have also established from my analysis of the call up instruction dates to the quotation dates and invoice dates of Goldcoast Trading that one call up instruction was split into three orders, which in aggregate amount to R502,200, in respect of the Ladysmith deployments. H66|2  
H68b|3  
H69b|3  
H70b|3
- 20.204 This means that the order was split so that Narainpershad and Madhoe could stay within the approved delegated amount which Madhoe was authorised to approve in accordance with the SCM manual. A1|28
- (xiii) Greytown** H45 – H63
- 20.205 Sixteen (16) orders, in the aggregate amount of R2,268,200, was issued to Goldcoast Trading for accommodation of police members in the Greytown region. H45
- 20.206 I have not been able to reconcile Goldcoast Trading invoices to all their cost of sale invoices, because the quantities of members on supplier invoices did not reconcile to the quantities that appear on Goldcoast Trading invoices. As a result, I have been unable to reconcile orders and invoices in respect of Goldcoast Trading to the exact quantities.

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- 20.207 Of the R2,268,200 that was paid to Goldcoast Trading, I have been able to reconcile the aggregate amount of R488,632.47 as their cost of sales. I have also determined from the examination of Goldcoast Trading's invoices that they charged the SAPS between R550 to R850 a person for this deployment which price was dependent on whether the members were sharing or not. However, their cost from these suppliers varies from R170 per person to R300 per person. This means that Goldcoast Trading's profit margins, in relation to their cost of sales, varies between 183% to 224%. **H45|1**
- 20.208 Madhoe has authorised all, but one, the orders that were issued to Goldcoast Trading which was done on the basis that there was no other accommodation available and or there was an extension to an existing deployment. As a result, only one quotation was obtained from Goldcoast Trading and therefore, there was no competitive bidding for any of these orders. **H45|1**
- 20.209 In view that only one quotation was obtained, it was also necessary in terms of the SCM manual that the order be approved by an officer with the rank of Director or higher and the prices must be proved to be fair and reasonable. There is no evidence, from the documents provided to me, that either of these two requirements had been complied with. In fact, Madhoe was not authorised in terms of the SCM manual to approve the order to Goldcoast Trading as he is only a Senior Superintendent. **H45|1**
- 20.210 From the available cost of sale invoices that can be reconciled to Goldcoast Trading's invoices, I am able to conclude that their prices charged to the police were not fair and reasonable. This is despite the fact that Narainpershad has certified, by appending what appears to be his signature, on the payment transaction form for payment to Goldcoast Trading that their price was fair and reasonable.

PwC

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20.211	Madhoe has also approved the procurement of the services of Goldcoast Trading for order No. AC910582 whilst he has also certified the payment to them on the order payment transaction form which is not allowed in terms of the SCM manual.	H47 1
20.212	I have also established from my analysis of the call up instruction dates to the quotation dates and invoice dates of Goldcoast Trading that eight (8) call up instructions were spilt into seventeen (17) orders so that the order amounts would not exceed Madhoe's delegated authorised amount.	H45 3
20.213	This means that the order was spilt so that Narainpershad and or Madhoe could stay within the approved delegated amount which Madhoe was authorised to approve in accordance with the SCM manual.	
	<b>(xiv) Nongoma</b>	H79 – H102
20.214	Twenty three (23) orders, in the aggregate amount of R3,000,728, were issued to Goldcoast Trading for the accommodation of police members in the Nongoma region.	H79 1-2
20.215	I have not been able to reconcile Goldcoast Trading invoices to all their cost of sale invoices, because the quantities of members on the supplier invoices did not reconcile to the quantities of members that appear on Goldcoast Trading's invoices. As a result, I have been unable to reconcile orders in respect of Goldcoast Trading to the exact quantities of members deployed.	H79 3
20.216	I can conclude from the aforementioned analysis that, either Goldcoast Trading have overstated their invoices to the SAPS or there are a number of supplier invoices that are missing and hence, this could be the reason why it may appear that Goldcoast Trading have overstated their invoices.	H79 3

PwC



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- 20.217 Nevertheless, I am able to confirm that, for four (4) of these orders in the aggregate amount of R524,160, I have been able to reconcile their cost of sale invoices to their invoices issued in respect of these orders. The particulars of these four (4) orders, the cost of sales, gross profit and gross profit percentages realised in relation to these orders is detailed hereunder:

H79|3

Order No	Amount ( R )	Cost of Sales ( R )	Gross Profit ( R )	Gross Profit %
AD338729	131,040.00	44,800.00	86,240.00	193%
AD338733	131,040.00	44,800.00	86,240.00	193%
AD338739	131,040.00	44,800.00	86,240.00	193%
AD339684	131,040.00	44,800.00	86,240.00	193%
<b>Total</b>	<b>524,160.00</b>	<b>179,200.00</b>	<b>344,960.00</b>	

H90

H91

H92

H94

- 20.218 Madhoe has authorised all of the orders that were awarded to Goldcoast Trading which was done on the basis of a single quotation of Goldcoast Trading because either the call up instruction was received late or it was an existing deployment that needed to be extended. Hence, there was no competitive bidding for any of these orders that were issued to Goldcoast Trading.

H79|1

- 20.219 In view that only one quotation was obtained, it was necessary in terms of the SCM manual that the order be approved by an officer with the rank of Director or higher and the prices must be proved to be fair and reasonable. There is no evidence, from the documents provided, that either of these two requirements has been complied with. In fact, Madhoe was not authorised, in terms of the SCM manual, to approve the orders to Goldcoast Trading as he is only a Senior Superintendent.

H79|1

PwC

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- 20.220 I can also conclude from the available cost of sale invoices to Goldcoast Trading that their prices charged to the police were not fair and reasonable. In the four matters described above, Goldcoast Trading cost of sales is only R179,200 of the R524,160 invoiced to the SAPS. This means that they made a gross profit of R344,960 in respect of these four invoices alone. Therefore, Narainpershad, and or Madhoe, could not have complied with the requirement of certifying that the prices charged were fair and reasonable as they were not. In spite thereof, I can confirm that Narainpershad has certified for all the above mentioned payment order transaction forms for Goldcoast Trading, except one<sup>1</sup>, that the prices charged by Goldcoast Trading were fair and reasonable when in fact they were not. H79|1
- 20.221 I have also established from my analysis of the call up instruction dates to the quotation dates and invoices dates of Goldcoast Trading that eight (8) call up instructions were spilt into eighteen (18) orders so that the order amounts would not exceed Madhoe's delegated authorised amount. H79|4
- 20.222 This means that the order was spilt so that Narainpershad and or Madhoe could stay within the approved delegated amount which Madhoe was authorised to approve in accordance with the SCM manual. H79|4

**Summary of findings**

- 20.223 A significant majority of the orders that were issued to Goldcoast Trading for the KwaZulu-Natal deployments were done without any competitive bidding taking place, other than those that are alleged in the Pongola Deployments although there are no documents available to support this allegation. The reasons as to why there was no competitive bidding is because Goldcoast Trading were either appointed on an urgent basis, or on the basis that there was a non-availability of accommodation, or on an extension to an existing order. In all these instances, a single quotation was obtained from Goldcoast Trading which submission in respect of their appoint was, where available, approved by Madhoe as he appears to have signed the submission.

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<sup>1</sup> AC910554 was certified by Madhoe.

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- 20.224 The SAPS SCM manual requires that the approval of a supplier on a single quotation shall only be carried out provided that it is approved by an officer with the rank of Director or higher. In all these instances, Madhoe has approved the order when he was not authorised to do so as he was only a Senior Superintendent when he signed these orders.
- 20.225 In cases where the appointment is made on an urgent basis, I can confirm that the requirements that are set out in the SCM manual were not complied with in these instances. This means that the nature of the urgency and or the losses or consequences that should follow should action not be taken was not certified by an officer with the rank of Director or higher whilst the appointment was not approved by the BAC. There is no evidence from any of the available documents to confirm that this procedure and requirement was complied with.
- 20.226 It is further a requirement in terms of the SCM manual that when procuring goods or items on a single quotation that reasonable steps must be taken to ensure that a fair price is obtained. It is also a requirement that the proof of reasonableness must be obtained and be available for audit purposes. There is no evidence from any of the documents available to confirm that this requirement was complied with and therefore, it would be reasonable for me to conclude that this was never done.
- 20.227 The gross profit margins realised on these orders awarded to Goldcoast Trading are also indicative of the fact that the prices invoiced to the SAPS were not fair and reasonable. Goldcoast Trading have also indicated in two letters addressed to the police that they are an accommodation broker and therefore, their gross profit margins are only 20% on cost of sales. I can conclude that there is no evidence for those orders that have formed part of my analysis that this statement is true. In fact, the profit margin was in all instances significantly more than 20%.

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- 20.228 Narainpershad has certified, by appending what appears to be his signature, the payments to Goldcoast Trading and by doing so has indicated that the prices charged are fair and reasonable when in fact they are not and as a result, the police have paid Goldcoast Trading at least R3,413,928.10 more than they should have.
- 20.229 I have also observed from the analysis of Goldcoast Trading's cost of sale invoices that their profit margins realised are never a consistent amount which would be reasonable taking into account that Goldcoast Trading is only an accommodation broker. The fact that these profit margins vary to the extents that the due is also extremely unusual.
- 20.230 In conclusion, detailed hereunder is a summary of my findings in relation to those cost of sale invoices that could be reconciled to the invoices issued by Goldcoast Trading. It is illustrated in this table that I have been able to reconcile R5,053,950 of the R11,932,458 invoiced to the police by Goldcoast Trading to their cost of sale invoices in the amount of R1,640,021.90. This means that Goldcoast Trading made a Gross Profit of R3,413.928.10 of the R5,053,950 that was invoiced to the police. The balance of R6,878,508 cannot be reconciled to any of their cost of sale invoices .

No	Goldcoast Invoices			Reconcilable Cost of Sale Invoices			Irreconcilable
	Deployment Name	Invoice Amount ( R )	Value of Reconcilable Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Goldcoast Trading Invoice Amount ( R )
1	Durban	390,650.00	390,650.00	159,502.90	231,147.10	145	
2	Durban North	217,500.00	217,500.00	116,000.00	101,500.00	88	
3	Gamalake	120,000.00	120,000.00	26,400.00	93,600.00	355	
4	Ingwenyama Conference and Sport Resort	20,400.00	20,400.00	8,700.00	11,700.00	134	
5	Newcastle	930,130.00	672,860.00	207,240.00	465,620.00	225	257,270.00
6	Pinetown	149,850.00	149,850.00	40,992.00	108,858.00	266	
7	Stanger	94,600.00	94,600.00	33,867.00	60,733.00	179	
8	Sundumbili	2,042,530.00	1,871,730.00	629,200.00	1,242,530.00	197	170,800.00
9	Ulundi	317,200.00	317,200.00	78,920.00	238,280.00	302	

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References in the margin refer as follows:

(A - H) prefix - Annexure Number

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No	Goldcoast Invoices			Reconcilable Cost of Sale Invoices			Irreconcilable
	Deployment Name	Invoice Amount ( R )	Value of Reconcilable Invoice Amount ( R )	Cost Price ( R )	Gross Profit ( R )	Gross Profit %	Goldcoast Trading Invoice Amount ( R )
10	Estcourt	1,705,670.00					1,705,670.00
11	Ladysmith	675,000.00	675,000.00	160,000.00	515,000.00	322	
12	Greytown	2,268,200.00					2,268,200.00
13	Nongoma	3,000,728.00	524,160.00	179,200.00	344,960.00	193	2,476,568.00
<b>Total</b>		<b>11,932,458.00</b>	<b>5,053,950.00</b>	<b>1,640,021.90</b>	<b>3,413,928.10</b>	<b>208</b>	<b>6,878,508.00</b>



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**SOCCER WORLD CUP*****Introduction***

- 20.231 Goldcoast Trading was issued with an order in the amount of R26,320,250 million by the SAPS to supply accommodation for 1030 police members during the SWC. Two other suppliers were also included in this *tender* namely Coastlands Holiday Resorts and Pendleburys both of whom were issued with orders for 200 members in the amount of R2,240,000 and 50 members in the amount of R1,377,000 respectively. **H12a|2**
- 20.232 I have already discussed, in preceding paragraphs of my report, the procedures performed in awarding this *tender* and hence, I shall not repeat the detailed content thereof.
- 20.233 However, I will reassert, for the purposes of this section of my report, that no actual tender was submitted neither was the work advertised in the Government Tender Bulletin as required in terms of the SCM manual. According to the certificate that is appended to the motivation to award the work to the three suppliers, Major General RS Pillay has certified that the work is awarded on an urgent basis, and because of the safety of the members of the SAPS. Hence, this order was awarded to Goldcoast Trading in accordance with the Urgent and or Emergency delegations as provided for in the SCM manual.
- 20.234 Based on the alleged urgency to procure accommodation for the SWC, the three accommodation brokers / suppliers were selected by Narainpershad, and or Madhoe, whilst there does not appear to be any information available as to why Goldcoast Trading was awarded a significant majority of work (80%) when compared to the other two suppliers, especially when Coastlands rate per night was significantly cheaper than Goldcoast Trading's rate who also had many rooms available that could have accommodated at least a further 158 members of Goldcoast Trading's 1030 members allocated to them.

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20.235 In alleged discussions that took place between Roshini Naidoo, the Executive Director of Coastlands, and Narainpershad, she alleged that when the final number of members had been provided to her by Narainpershad for the accommodation of police members at Coastlands she complained to him as they had been reduced and as a result, she informed him that Coastlands had ample rooms available.

20.236 Allegedly, Narainpershad response to Roshini Naidoo was that he had divided the members amongst the three suppliers and therefore, it is reasonable to conclude that he was responsible for the allocation of members to each of these three entities.

***AD333657 – R26,320,250 – Accommodation Soccer World Cup***

H12

20.237 Order No. AD333657 in the amount of R26,320,250 was issued to Goldcoast Trading on 25 June 2010 which order was for the accommodation of police members during 2010 soccer world cup.

H12a|1

20.238 Payments to Goldcoast Trading were made in three parts as detailed hereunder:

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Payment Advice Details			Invoice Details			
Advice No	Date	Amount ( R )	Date	No.	Amount ( R )	
F222191	30/06/2010	15,974,000				H12a 18
			29/06/2010	100245	10,200	H12a 19
			29/06/2010	100246	134,300	H12a 20
			29/06/2010	100247	1,880,400	H12a 21
			29/06/2010	100248	2,640,600	H12a 22
			29/06/2010	100249	1,342,700	H12a 23
			29/06/2010	100250	1,866,300	H12a 24
			29/06/2010	100251	790,500	H12a 25
			29/06/2010	100252	2,766,400	H12a 26
			29/06/2010	100253	1,726,050	H12a 27
			29/06/2010	100254	2,816,550	H12a 28
<b>Subtotal</b>		<b>15,974,000</b>			<b>15,974,000</b>	
F247860	14/07/2010	4,088,050				H12a 4
			13/07/2010	100267	1,904,400	H12a 7
			13/07/2010	100268	1,291,150	H12a 8
			13/07/2010	100269	892,500	H12a 9
<b>Sub Total</b>		<b>4,088,050</b>			<b>4,088,050</b>	
F222193	17/07/2010	6,097,700				H12a 10
			06/07/2010	100261	1,742,200	H12a 13
			06/07/2010	100260	2,613,300	H12a 14
			06/07/2010	100259	1,742,200	H12a 15
<b>Sub Total</b>		<b>6,097,700</b>			<b>6,097,700</b>	
<b>Total</b>		<b>26,159,750</b>			<b>26,159,750</b>	

- 20.239 For two of the abovementioned incidents, Narainpershad appears to have authorised the payment on the part payment transaction form by appending, what appears to be his signature to the certificate at the bottom right hand corner whilst the third was authorised by Lt Colonel LTA Majozi.

H12a|4 &amp; 18

H12a|10

PwC

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20.240 According to the content of these two certificates, the aforementioned two members have certified that the order complied with the requirements in that the payment was made according to the contract / agreement / tariff reasonability or fairness and therefore the payee may receive payment.

H12a|4

H12a|10

H12a|18

20.241 The only supporting documents provided, in relation to the abovementioned payments, is the Goldcoast Trading invoice which invoice contains limited information regarding the deployment such as number of members accommodated, check in date and total cost to the SAPS only. An example of one of these invoices is illustrated in Record 125 below.

## Record 125

Check in	DESCRIPTION / World Cup Deployment	No of Members	Total
08/07/2010	World Cup Deployment	883	
09/07/2010	World Cup Deployment	636	
		Grand Total	R1,291.150.00

20.242 Goldcoast Trading has not provided the rate per member per night, in addition to the aggregate cost for each deployment for each line item on their invoice and therefore, I cannot establish from the mere examination of the invoice on what basis it was calculated. As a result, I have analysed these invoices with the objective of determining what rates were used to calculate the accommodation of members for each of these invoices which analysis is detailed hereunder:

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Invoice No.	Invoice Amount	Qty of Members stated on Invoice					Total Qty of Members	Rate per member ( R )	
100267	1,904,400	947	1117				2,064	922.67	H12a 7
100268	1,291,150	883	636				1,519	850.00	H12a 8
100269	892,500	450	424	176			1,050	850.00	H12a 9
100261	1,742,200	966	966				1,932	901.76	H12a 13
100260	2,613,300	966	966	966			2,898	901.76	H12a 14
100259	1,742,200	966	966				1,932	901.76	H12a 15
100245	10,200	6	6				12	850.00	H12a 19
100246	134,300	158					158	850.00	H12a 20
100247	1,880,400	169	171	172	541	571	1,624	1,157.88	H12a 21
100248	2,640,600	576	595	600	865		2,636	1,001.75	H12a 22
100249	1,342,700	731	731				1,462	918.40	H12a 23
100250	1,866,300	1039	1039				2,078	898.12	H12a 24
100251	790,500	930					930	850.00	H12a 25
100252	2,766,400	928	928	928			2,784	993.68	H12a 26
100253	1,726,050	935	978				1,913	902.27	H12a 27
100254	2,816,550	947	949	947			2,843	990.70	H12a 28
	<b>26,159,750</b>						<b>27,835</b>		

- 20.243 It is evident from the aforementioned table that the rates that were used by Goldcoast Trading reconciled to the R850 provided for in their quotation for five (5) of their sixteen (16) invoices issued to the SAPS in respect of accommodation of members during the SWC. The remaining rates used by Goldcoast Trading varied from R898.12 to R1,157.88 per member. The basis for these variances is not recorded on Goldcoast Trading's invoices neither is there any notation appended on the payment documents, by either Narainpershad or Lt Colonel LTA Majozi, being the two persons who certified these payments to Goldcoast Trading, as to the reasons for these differences and therefore, they have misrepresented to the SAPS, when they appended, what appears to be, their signatures to the part payment transaction form that the prices charged by Goldcoast Trading were in accordance with contract/ agreement or tariff when they were not.

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- 20.244 The effect of the payment of Goldcoast Trading's invoices that contained these variances means that the SAPS paid R2,5 million more to Goldcoast Trading than they should have had the correct rate per member been charged on their invoices. This overcharge is illustrated in the table hereunder:

No.	Invoice Amount	Total Qty Members invoiced	Rate / member ( R )	Cost @ R850 / member	Prejudice ( R )
100267	1,904,400	2,064	922.67	1,754,400	150,000
100268	1,291,150	1,519	850.00	1,291,150	-
100269	892,500	1,050	850.00	892,500	-
100261	1,742,200	1,932	901.76	1,642,200	100,000
100260	2,613,300	2,898	901.76	2,463,300	150,000
100259	1,742,200	1,932	901.76	1,642,200	100,000
100245	10,200	12	850.00	10,200	-
100246	134,300	158	850.00	134,300	-
100247	1,880,400	1,624	1,157.88	1,380,400	500,000
100248	2,640,600	2,636	1,001.75	2,240,600	400,000
100249	1,342,700	1,462	918.40	1,242,700	100,000
100250	1,866,300	2,078	898.12	1,766,300	100,000
100251	790,500	930	850.00	790,500	-
100252	2,766,400	2,784	993.68	2,366,400	400,000
100253	1,726,050	1,913	902.27	1,626,050	100,000
100254	2,816,550	2,843	990.70	2,416,550	400,000
	<b>26,159.70</b>			<b>23,659,750</b>	<b>2,500,000</b>

H12a|7

H12a|8

H12a|10

H12a|13

H12a|14

H12a|18

H12a|19

H12a|20

H12a|21

H12a|22

H12a|23

H12a|24

H12a|25

H12a|26

H12a|27

H12a|28

- 20.245 This means that Goldcoast Trading ought to have invoiced the SAPS the amount of R23,659,750 instead of R26,159,750 had they used the rate per member as detailed in their quotation to the SAPS.

***Schedule of Deployments SWC - 4 to 28 June 2010***

- 20.246 I have located amongst Goldcoast Trading's records a schedule that purports to reflect the number of members that were accommodated by Goldcoast Trading at eight (8) suppliers for the period 4 to 28 June 2010 (**Document No 19308|9**).

H12p|1-2

PwC

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20.247 I have been able to determine from the examination of the aforementioned schedule that Goldcoast Trading used the following venues to accommodate SAPS members during the SWC:

1. Mc Donalds Lodge;
2. Reservoir Hills;
3. Beach Hotel;
4. Royal Hotel;
5. Windermere Apartments;
6. Coastlands;
7. Seaboard Hotel; and
8. Tenbury Hotel.

20.248 I have also determined that the aforementioned schedule was provided to the SAPS by Goldcoast Trading probably to account for some of the payments that were or had to be made to them for the accommodation of police members during the SWC. I have come to this finding based upon the fact that another copy of the aforementioned schedule (**Document No14573|4**), together with a covering letter from Goldcoast Trading, dated 28 June 2010 (**Document No. 14572**), was also located amongst the records of the SAPS SCM.

H12p|3-5

20.249 The content of the aforementioned letter (**Document No. 14572**) is illustrated in Record 126 below.

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Record 126

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28/06/2010

Att:Captain Ashwin / Shamilla

Please find the attached World Cup Details As per request

Regards

Tasleem Rahiman

P A TO Director of Goldcoast Trading

- 20.250 Based on the addressee of this letter (**Document No. 14572**) and the content thereof, is reasonable to conclude that this information was requested by Narainpershad, and or Shamilla, on or about 28 June 2010, two days prior to the first part payment being authorised by Narainpershad. H12p|3
- 20.251 I have compared the total quantity of members in the aforementioned schedule, and the check in dates, to the number of members and dates that appear on Goldcoast Trading invoices and can conclude from this examination that initially the quantity reconciled to the invoices however, of the eight (8) days the quantities were initially overstated by two (2) members a day which increases to twenty one (21) and twenty three (23) members per day. H12p|1-2  
H12p|4-5
- 20.252 My findings from the aforementioned examination is illustrated hereunder for ease of reference:

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Invoice No <sup>1</sup>	Invoice Date	Deployment Date	Qty Members	Rate ( R )	Total ( R )	Qty / Doc19308 (H12p 1-2)	Over stated Qty	Prejudice ( R )
100245	29/06/2010	04/06/2010	6	850.00	5,100.00	6	0	-
100245	29/06/2010	05/06/2010	6	850.00	5,100.00	6	0	-
100246	29/06/2010	06/06/2010	158	850.00	134,300.00	158	0	-
100247	29/06/2010	07/06/2010	169	1,157.88	195,684.60	169	0	-
100247	29/06/2010	08/06/2010	171	1,157.88	197,997.48	171	0	-
100247	29/06/2010	09/06/2010	172	1,157.88	199,155.36	172	0	-
100247	29/06/2010	10/06/2010	541	1,157.88	626,413.08	541	0	-
100247	29/06/2010	11/06/2010	571	1,157.88	661,149.48	571	0	-
100248	29/06/2010	12/06/2010	576	1,001.75	577,005.16	574	2	1,700.00
100248	29/06/2010	13/06/2010	595	1,001.75	596,038.32	593	2	1,700.00
100248	29/06/2010	14/06/2010	600	1,001.75	601,047.04	598	2	1,700.00
100248	29/06/2010	15/06/2010	865	1,001.75	866,509.48	863	2	1,700.00
100249	29/06/2010	16/06/2010	731	918.40	671,350.00	729	2	1,700.00
100249	29/06/2010	17/06/2010	731	918.40	671,350.00	729	2	1,700.00
100250	29/06/2010	18/06/2010	1039	898.12	933,150.00	1037	2	1,700.00
100250	29/06/2010	19/06/2010	1039	898.12	933,150.00	1037	2	1,700.00
100251	29/06/2010	20/06/2010	930	850.00	790,500.00	928	2	1,700.00
100252	29/06/2010	21/06/2010	928	993.68	922,133.33	926	2	1,700.00
100252	29/06/2010	22/06/2010	928	993.68	922,133.33	926	2	1,700.00
100252	29/06/2010	23/06/2010	928	993.68	922,133.33	926	2	1,700.00
100253	29/06/2010	24/06/2010	935	902.27	843,626.11	930	5	4,250.00
100253	29/06/2010	25/06/2010	978	902.27	882,423.89	976	2	1,700.00
100254	29/06/2010	26/06/2010	947	990.70	938,189.54	926	21	17,850.00
100254	29/06/2010	27/06/2010	949	990.70	940,170.93	926	23	19,550.00
100254	29/06/2010	28/06/2010	947	990.70	938,189.54	926	21	17,850.00
			<b>16440</b>		<b>15,974,000.00</b>	<b>16344</b>	<b>96</b>	<b>81,600.00</b>

20.253 I can therefore conclude, from the aforementioned analysis, that Goldcoast Trading has overstated their abovementioned invoices by ninety six (96) members when compared to the schedule that was submitted to Narainpershad by Tasleem Rahiman which, in aggregate, amounts to R81,600.

H12a|7-9  
H12a|13-15  
H12a|19-28  
H12p

<sup>1</sup> H12a|7-9, H12a|13-15 and H12a|19-28.



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20.254 The aforementioned schedule also indicates that 440 members were accommodated at Tenbury Hotel for the period 18 to 28 June 2010 (**Document No.19309**). I have also identified an invoice from Optima Management Services (Pty) Ltd in favour of Goldcoast Trading dated 3 June 2010 in the amount of R1,296,000 for the accommodation of 30 units at The Oceanic and the Tenbury respectively.

H12p|2

20.255 I have also examined an affidavit obtained from Jane Siripal, a reservationist at Optima Management Services, who confirms that she prepared the aforementioned invoice at the request of an accommodation broker by the name of Laura Pillay on behalf of Goldcoast Trading but that the accommodation was not confirmed and therefore not paid by Goldcoast Trading.

20.256 Hence, I cannot validate whether members actually stayed at the Trenbury although I can verify, based on Jane Siripal's affidavit, that the invoice in favour of Goldcoast Trading was never paid neither was accommodation booked (**Document No. 19309**).

***True Stay versus Goldcoast Stay***

20.257 I have also identified, amongst Goldcoast Trading's records, a Walton's A4 counter book (**Document No. 23796 – 23821**) which contains the heading "W/Cup" on the face thereof. A copy of this heading is illustrated Record 127 below

H12o

PwC

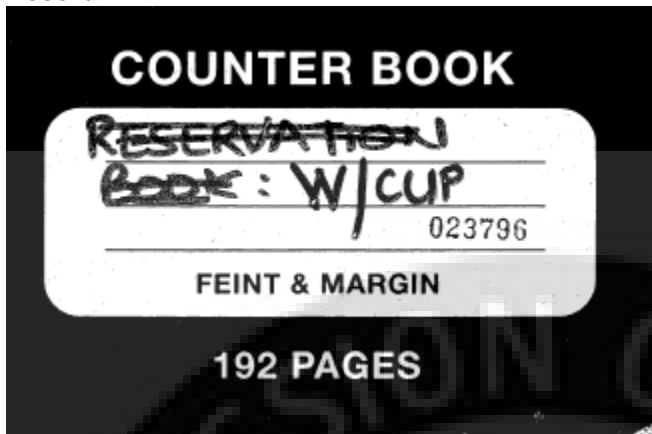
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Record 127

H12o|1



- 20.258 The first page of the abovementioned Walton's Counter book contains the heading "World Cup 2010" and based thereon, I would conclude that the content of this book contains a record of the deployment of police members during the SWC by Goldcoast Trading. A copy of this heading, as it appears on the first page of this counter book, is illustrated in Record 128 below.

H12o|2

Record 128



PwC

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- 20.259 I have determined from the examination of the abovementioned Walton's counter book that there are various entries relating to the accommodation of members during the SWC at ten (10) venues. These entries contain three headings for each venue namely: "Date Start"; "True Stay"; and "Goldcoast Charge." An extract of this document (**Document No. 23798**), which relates to the accommodation of members in the Reservoir area, is illustrated Record 129 below.

H12o

H12o|3

Record 129

H12o|3

DATE START	TRUE STAY	GOLD COAST CHARGE
6-06-2010	48 MEMBERS	60 MEMBERS
7-06-2010	48 MEMBERS	60 MEMBERS
8-06-2010	48 MEMBERS	60 MEMBERS
9-06-2010	48 MEMBERS	60 MEMBERS
10-06-2010	48 MEMBERS + 143	200 MEMBERS
11-06-2010	191 MEMBERS	200 MEMBERS
12-06-2010	191 MEMBERS	200 MEMBERS
13-06-2010	191 MEMBERS	200 MEMBERS
14-06-2010	191 MEMBERS	200 MEMBERS
15-06-2010	191 MEMBERS	200 MEMBERS

- 20.260 For each of the above mentioned entries that appear in this counter book, it is preceded with a cover page which contains either the venue or the area where members were accommodated. An example of the Reservoir Hills cover page is illustrated in Record 130 below.

H12o|2

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Record 130

H12o|2

VISS:  
RESEVIOR HILLS

20.261 I have also determined from my examination of this Walton's counter book that the entries contained therein relate to the following venues or places:

1. Reservoir Hills (**Document No. 23797**); H12o|2
2. Mc Donalds Lodge (**Document No. 23800**); H12o|5
3. Royal Hotel (**Document No. 23803**); H12o|8
4. Beach Hotel (**Document No. 23806**); H12o|11
5. Windermere Apartments (**Document No. 23810**); H12o|15
6. Hampshire Hotel (**Document No. 23812**); H12o|17
7. Coastlands Hotel (**Document No. 23814**); H12o|19
8. Tenbury Hotel (**Document No. 23816**); H12o|21
9. Seaboard Hotel (**Document No. 23818**); and H12o|23
10. Impala Holiday Flats (**Document No. 23819**). H12o|24

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- |        |  |                 |
|--------|--|-----------------|
| 20.262 | I have interpreted the information contained in the aforementioned document to indicate that all the quantities reflected in the column titled “True Stay” is the actual number of members that were accommodated by Goldcoast Trading on behalf of the SAPS during the SWC, whilst the column titled “Goldcoast Charge” is the number of members that Goldcoast Trading invoiced the SAPS for.  | H12o            |
| 20.263 | Upon comparison of the quantities stated in the abovementioned example (Record 129 above), I am able to conclude that it appears that, for the Reservoir Hills accommodation, Goldcoast Trading has overstated their quantities to the police between nine (9) and twelve (12) members per day.  | H12o 3<br>H11 4 |
| 20.264 | I have also been able to verify from my examination of all of Goldcoast Trading cost of sale invoices in respect of the accommodation of police members in the Reservoir Hills area that their sole supplier for this area was Willow Park Transport and Projects CC. I have been able to validate, from my examination of Willow Park Transport and Projects CC invoices for Goldcoast Trading, that the number of members appearing on their invoice reconciles to the quantity of members appearing in the “True Stay” column of the document illustrated in Record 129 above. Based on this finding, it would be reasonable to conclude that the content of the information contained on this schedule is correct. | H11 4<br>H12e   |
| 20.265 | I am also able to confirm from my analysis of information relating to the other suppliers that in most instances the “true stay” reconciles to the suppliers cost of sale invoices although there are instances where the quantities deviate to the “true stay” although these deviations are not significant. My analysis of Royal Hotel <sup>1</sup> , McDonalds Lodge <sup>2</sup> , Windermere Apartments <sup>3</sup> , Coastlands <sup>4</sup> and Impala Holiday Flats <sup>5</sup> will show these minor deviations.   | H11             |

<sup>1</sup> H11|2-3<sup>2</sup> H11|16-17<sup>3</sup> H11|5-6<sup>4</sup> H11|7-8<sup>5</sup> H11|11-14

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- 20.266 It would also be a reasonable to infer, from the aforementioned document, that Goldcoast Trading and Panday were intent on misleading the police with regards to the actual number of members that were being accommodated during the SWC which misrepresentation has resulted in the police having to pay more for the services than they should have.

**PwC Analysis**

H11

- 20.267 I have performed the same procedures that have been detailed in previous paragraphs where I have discussed the appointment of Goldcoast Trading for the KwaZulu-Natal deployments.

- 20.268 To summarise, I have identified all the cost of sale invoices contained in Goldcoast Trading's records for the eight (8) suppliers detailed in paragraph 20.247 of my report, in addition to all Goldcoast Trading's "true versus Goldcoast charge" documents and attempted to reconcile the quantities to the total quantity of members that were invoiced to the police.

H11

- 20.269 Based on the procedures performed, I have been able to conclude that Goldcoast Trading were issued an order in the amount of R26,320,250 which amounts to 30,925 members per night, using the rate of R850 per member per night.

H12a|1

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PwC

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20.270 However, Goldcoast Trading have invoiced the police the aggregate amount of R26,159,750 for 27,835 members per night which means that only R160,500 of the R26,320,250.00 authorised as per order No AD333657 was not used. Initially the quantity of members to be accommodated, at R850 per member was 30,965, but after taking into account the value of Goldcoast Trading's invoices and number of members accommodated into account, I have determined that the balance of members is 3,130, and therefore the value invoiced by Goldcoast Trading is not in proportion to the rate of R850 per member. Hence, the remaining 3,130 members would have had to be accommodated at a rate of R51.28 per night. It therefore appears that Goldcoast Trading have attempted to utilise the majority of funds allocated to them in accordance with order No. AD333657 and by doing so, have increased their average rate per member from the R850 to R939.81.

H12a

20.271 A summary of the abovementioned is detailed hereunder:

Description	Rate / night	Amount ( R )	Total Beds / Qty
Order No AD333657	R850.00	26,320,250.00	30,965
Invoiced	R939.81	26,159,750.00	27,835
<b>Difference</b>	<b>R51.28</b>	<b>160,500.00</b>	<b>3,130</b>

H12a|1

H12a<sup>1</sup>

20.272 I have also only been able to locate cost of sale invoices for 22,548 members which means that Goldcoast Trading appear to have overstated the number of members accommodated by 5,287. This is also supported by the records of Goldcoast Trading in their Walton's record counter book that is discussed in preceding paragraphs of my report and which a sample of is illustrated in Record 129 above.

H11

H12o

20.273 The basis on which the aforementioned was determined is illustrated hereunder

<sup>1</sup> H12a|7-9, H12a|13-15, and H12a|19-28.



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	Amount ( R )	True Stay Qty	Goldcoast Charge Qty	
Invoiced	26,159,750.00	27,835	27,835	H12a
<b>Cost of Sales</b>	6,808,242.81	22,548	26,320	H11
Royal Hotel	1,060,000.00	2,650	4,131	
Willow Park	1,252,664.06	5,694	5,994	
Windermere	639,300.00	2,131	2,939	
Apartments				
Coastlands	1,880,870.00	5,460	5,804	
Seaboard Hotel	15,100.00	50	50	
Beach Hotel	706,026.00	2,283	2,493	
Hampshire	28,482.00	87	87	
Impala Holiday Flats	35,700.00	178	170	
Tenbury		0		
McDonalds Lodge	1,190,200.75	4,015	4,652	
<b>Difference</b>	<b>19,351,507.19</b>	<b>5,287</b>	<b>1,515</b>	
20.274	I have had to record my findings as detailed above because of the manner in which Goldcoast Trading have invoiced the police for the deployments of members during the SWC period, and the fact that their invoices did not reflect the quantity of members during the SWC period, and the duration of their stay at a specific venue. As a result, it was difficult to reconcile cost of sale invoices to specific invoices issued by Goldcoast Trading.			H12a
				H12a 7-9
				H12a 13-15
				H12a 19-28
20.275	Consequently, the only means in which an analysis of the various types of information could be completed was to compare the aggregate quantity and amounts that were invoiced by Goldcoast Trading to their supplier invoice and aggregate quantity of members, whilst using the average rate charged per member and comparing that with the rate to determine whether there was any variances with the amounts and quantities that were invoiced to the police.			H11 1
				H11 2-17

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20.276 As a result of the constraints encountered in respect of reconciling Goldcoast Trading supplier invoices to the invoices issued by them to the SAPS for the SWC, I have provided for four (4) scenarios in my analysis to be taken into account when determining the prejudice or losses that have been sustained by the police as a result of various misrepresentations made by Goldcoast Trading and Panday.

20.277 These four (4) scenarios are explained hereunder:

***Scenario 1: Calculation of the value of Overstated Invoices***

20.278 I have determined, using the formula detailed hereunder and the procedures explained in preceding paragraphs of my report, that Goldcoast Trading have overstated their invoices by an aggregate amount of 5,287 members. In view that Goldcoast Trading have not invoiced the police at their quoted tariff of R850 per member I have used their average rate per member to calculate the value of the overstated 5,287 members from which I can conclude that prejudice or loss to the police is R4,968,775.47.

20.279 The formula used, and the basis as to how I have arrived at the aforementioned amount, is detailed hereunder:

$$\begin{aligned}
 & (\text{Qty invoiced Goldcoast} - \text{Qty of members Cost of Sales}) \times \text{avg rate invoiced Goldcoast} \\
 &= (27,835 - 22,548) \times (26,159,749.99 \div 27,835) \\
 &= 5,287 \times R939.81 \\
 &= \underline{R4,968,775.47}
 \end{aligned}$$

H11

***Scenario 2: Calculation of overcharge based on incorrect tariff used by Goldcoast Trading***

20.280 For the second scenario, I have calculated the value of the overcharge to the police based on the fact that Goldcoast Trading did not use the correct tariff of R850 per member per night and on the assumption that they have invoiced the police for the members they actually purchased accommodation for.

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- 20.281 My findings from this analysis revealed that, as a result of Goldcoast failing to charge the police the correct tariff, they have therefore overstated their invoices to the police by R2,499,861.35. The formula used and the basis as to how I have arrived at the aforementioned amount is detailed hereunder:

$$\begin{aligned}
 & \text{Total Qty members Invoiced by Goldcoast} \times (\text{Avg rate invoiced Goldcoast} - R850) \\
 &= 22,548 \times (R939.81 - R850) \\
 &= 22,548 \times R89.81 \\
 &= \underline{R2,025,035.88}
 \end{aligned}$$

H11

**Scenario 3: Calculation of Potential overpayment to Goldcoast Trading**

- 20.282 For the third scenario, I have calculated the value of the prejudice or loss suffered by the police taking into account that the cost price to Goldcoast Trading was the market related price for the accommodation and therefore, the price that the police ought to have paid for the accommodation of police members during the SWC.
- 20.283 For that reason, I have ascertained that the difference between Goldcoast Trading's quoted tariff of R850 per member per night and the average cost of sale invoices is the value of the prejudice or loss per member per night.
- 20.284 This means that the police have paid R12,405,909.60 more for the deployments of police members during the SWC, in respect of the 22,548 members identified on Goldcoast Trading's cost of sale invoices. The formula used, and the basis as to how I have arrived at the aforementioned amount, is detailed hereunder:

$$\begin{aligned}
 & (R850 - \left( \frac{\text{aggregate value Goldcoast Trading cost of sales}}{\text{Qty of members} - \text{Cost of sales}} \right)) \times \text{Qty of members} - \text{Cost of sales} \\
 &= (R850 - \left( \frac{6,808,242.81}{22,548} \right)) \times 22,548 \\
 &= (R850 - (R301.94)) \times 22,548 \\
 &= (R548.06 \times 22,548) \\
 &= \underline{R12,357,656.88}
 \end{aligned}$$

H11

PwC

24 November 2014

**Scenario 4: Calculation of Losses Less 20% Gross Profit**

20.285 For the fourth scenario, I have calculated the prejudices or losses sustained by the police after considering the difference between Goldcoast Trading's profit margins on their cost sale invoices and the alleged 20% mark up on these cost of sales being the alleged profit that they make which was indicated in written representation to the police. (Scenario 3 and 4 are mutually exclusive and cannot be added together to calculate a total prejudice.)

20.286 I have determined from this calculation that the prejudice or losses sustained to the police, based on the fact that Goldcoast Trading did not charge a 20% mark up on their cost of sale invoices, is R10,995,908.63.

H11

20.287 The formula used and the basis as to how I have arrived at the aforementioned amount is detailed hereunder:

$$\begin{aligned}
 & \left( \left( \left( \frac{\text{aggregate value of cost of sales}}{\text{Qty of members cost of sales}} \right) + 20\% \text{ Gross Profit} \right) - R850 \right) \times \text{Qty of members Cost of sales} \\
 &= \left( \left( \left( \frac{6,808,242.81}{22,548} \right) + 20\% \text{ Gross Profit} \right) - R850 \right) \times 22,548 \\
 &= \left( ((301.94) + 20\% \text{ Gross Profit}) - R850 \right) \times 22,548 \\
 &= \left( ((301.94) + 20\% \text{ Gross Profit}) - R850 \right) \times 22,548 \\
 &= (R362.33 - R850) \times 22,548 \\
 &= (R362.33 - R850) \times 22,548 \\
 &= R487.67 \times 22,548 \\
 &= \underline{R10,995,983.16}
 \end{aligned}$$

**Block Booking of Rooms**

20.288 I have discussed in preceding paragraphs of my report that Goldcoast Trading had indicated to representatives of the SAPS that they had blocked booked approximately 20,000 hotel rooms for the SWC as they were going to place between 20,000 to 30,000 people during this event.

B23

B24|1

PwC

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

20.289 I have been able to determine from the examination of affidavits obtained from representatives of the venues who accommodated the police members during the SWC that the abovementioned statement is not true.

20.290 The table hereunder indicates the dates that Panday, and or Goldcoast Trading, approached the representatives responsible for the venues where police members were accommodated during the SWC in order to arrange the accommodation of members during this SWC.

Venue	Date Approached
Seaboard Hotel	25 June 2010.
Windermere Apartments	Beginning of June 2010
McDonalds Lodge	Beginning of June 2010
The Beach Hotel	19 May 2010
Willow Park	March / April 2010
Coastlands	May 2010

20.291 Based on the abovementioned dates that these representatives were approached by Panday is reasonable for me to conclude that he did not have 20,000 rooms block booked for the SWC despite the aforementioned statement being made in two letters that were addressed to the police. These rooms were only negotiated once he became aware that he would be awarded orders by the police.

20.292 It is further evident from Goldcoast Trading's bank statement that their only client during the SWC period was in fact the SAPS and therefore, the only reasonable inference that can be made from this is that Panday was attempting to mislead the police in securing the tender for the SWC.

**B23**  
**B24|1**

PwC

**21.000 CONCLUSION**

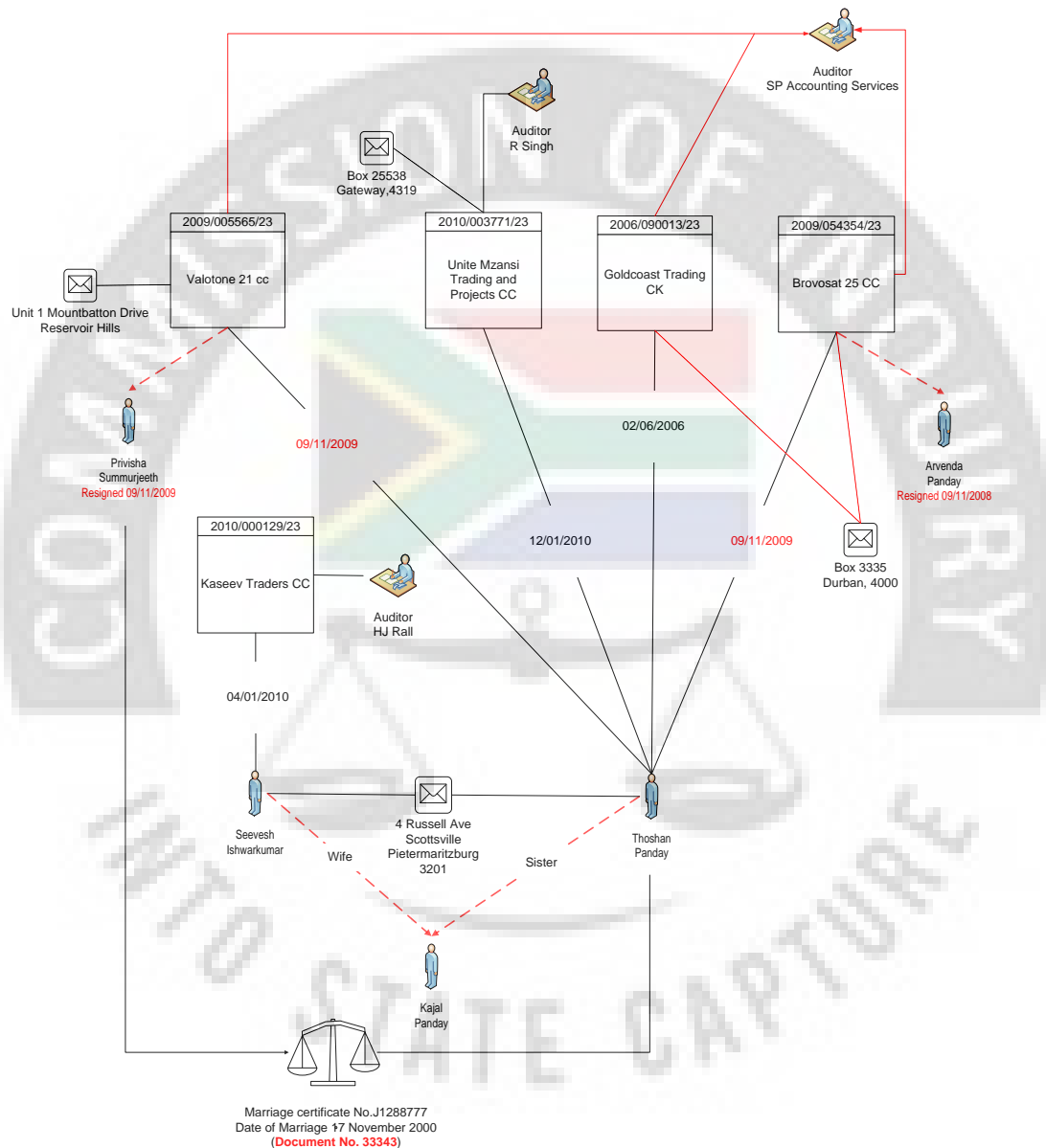
- 21.001 The five entities discussed in my report, namely Goldcoast Trading; Bravosat 25 CC; Valotone 21 CC; Unite Mzansi Trading; and Kaseev Traders, are all related to Panday in that he is the sole member for four of the five entities with the exception of Kaseev Traders whose sole member is Seevesh Iswarkumar, who appears to be Panday's brother in law.
- 21.002 Reports from the CIPC indicate that one of these five entities was initially owned by Panday's mother, Arvenda Panday, who was the sole member of Bravosat 25 CC, but resigned as a member thereof on 9 November 2009, although the documents relating to her resignation were only submitted to CIPC on 17 August / September 2011.
- 21.003 Despite Arvenda Panday's resignation as a member of Bravosat 25 CC being effective on 9 November 2009, and Panday becoming the sole member on the same date, she facilitated in the opening of an ABSA Bank account for Bravosat 25 CC on 18 November 2009, and still remains the only contact person on this account, whilst she also facilitated the registration of Bravosat 25 CC on the SAPS Supplier database on 30 November 2009.
- 21.004 The second of the five entities, being Valotone 21 CC, was initially solely owned by Panday's wife, Privisha Panday (nee Summerjeeth), who became the sole member thereof on 9 November 2009 and resigned her membership to this entity, effective 9 November 2009, although CIPC was officially informed of this resignation on 17 August 2011.
- 21.005 Despite Privisha Panday (nee Summerjeeth) resignation as the sole member for Valotone 21 CC on 9 November 2009, she facilitated in the opening of a bank account for this entity with ABSA Bank on 18 November 2009 and continues to remain the sole signatory on this account even though she was no longer a member thereof. In addition, she also facilitated in registering Valotone 21 CC on the SAPS Supplier database on 30 November 2009, which was after her resignation date as a member for this entity.

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

- 21.006 Based on the above, I can conclude that Panday was the sole member of Goldcoast Trading, Valotone 21 CC, Bravosat 25 CC, and Unite Mzansi Trading with effect from 9 November 2009 when these entities started to perform work for the SAPS which relationship is best illustrated hereunder:



- 21.007 It has been determined that these entities gave the false impression of competing against one another for the supply of the same goods and/or services to the SAPS and therefore, created the impression that there was competitive bidding taking place and that the prices tendered/quoted were



24 November 2014

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market related when in fact they were not.

- 21.008 In aggregate, the SAPS paid, between the period November 2009 to August 2010, R47,346,597.52 to these five entities of which R39,336,283 was paid to Goldcoast Trading. Of the R39,336,283 paid to Goldcoast Trading R26,320,250 was in respect of accommodation of police members during the SWC.
- 21.009 The order awarded to Goldcoast Trading in the amount of R26,320,250 to accommodate police members during the SWC was done on the basis that the matter was urgent and therefore, the tender was not advertised in the Government Tender Bulletin as required in terms of the SCM policy and therefore, competitive bidding procedures were not complied with.
- 21.010 According to the Information Note that was presented to the Bid Adjudication Committee, and the supporting documents relating thereto, it is being certified by Major General R S Pillay that the *tender* for the accommodation of police members during the SWC was an urgent matter and because of the safety and security of police members during the SWC the matter did not go out to tender. Although it is also a requirement that the motivation must state that the urgency did not arise as a result of the lack of proper planning this was not done. This urgency arose because of the lack of proper planning since the SAPS knew from at least October 2009 that accommodation of police members during the SWC was required yet the information was only submitted to the BAC in June 2010.

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

- 21.011 Narainpershad divided the police members between three suppliers being Goldcoast Trading (80%), Coastlands (16%) and Pendleburys (4%) even though he was aware that there was additional accommodation available at Coastlands, in addition to the fact that Coastlands rate per night was significantly less than that of Goldcoast Trading (R400 per person sharing as opposed to R850 per person sharing) which would have been a saving of R2,760,130 to the SAPS. This is aggravated even further as Panday approached Coastlands during May 2010 to accommodate police members at Coastlands during the SWC and therefore, resulted in the police paying significantly more for these services had Narainpershad divided the members transparently and in the most cost effective way between the various providers of accommodation.
- 21.012 During the period when these orders were awarded to Panday's related entities, Madhoe, Narainpershad, Lieutenant General Ngobeni and Major General RS Pillay received gifts from Panday in the aggregate amount of R171,265.58 and based thereon, neither of the four should have been involved in any decisions relating to work awarded to any of his related entities.
- 21.013 The amounts paid for the benefit of each of these four police members is detailed hereunder:

No	Name	Value of Benefit (R)
1	Madhoe	89,104.95 <sup>1</sup>
2	Narainpershad	59,662.71 <sup>2</sup>
3	Lieutenant General Ngobeni	20,962.00 <sup>3</sup>
4	Major General RS Pillay	1,535.92
<b>Total</b>		<b>171,265.58</b>

- 21.014 I have been able to reconcile R12,749,533.32 of the R20,138,222.52 invoiced to the SAPS by Panday's related entities to their supplier invoices and have determined from these reconciliations that Panday and/or his related entities

<sup>1</sup> Oyster Box R6,010 + SA Airways R8,584 + Advocate Cars R60,000 + Westin Grand Cape Town R14,510.95= R89,104.95

<sup>2</sup> Varsity College R43,500 + Game Stores R7,154 + Protea Hotel Karriden R1,752.71 +Protea Hotel Richards Bay R7,256= R59,662.71

<sup>3</sup> Royal Palm / Dish Restaurant R18,712 + Zindx Productions / Mr Maharaj R2,250 = R20,962

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

have made a gross profit of R8,480,149.12 of the R12,749,533.32 that was paid to them by the SAPS, excluding any payments for the SWC.

- 21.015 A summary of the aforementioned profit margins and the cost of sale amounts in respect of each of these related entities are detailed hereunder:

Name	Total Amount Invoiced  ( R )	Value of Reconcilable Invoice Amount  ( R )	Cost of Sales  ( R )	Gross Profit  ( R )	Gross Profit  %
Kaseev Traders	1,552,019.40	1,552,019.40	734,365.44	817,653.96	111
Valotone 21 CC	3,515,704.36	3,227,891.86	945,215.38	2,282,676.48	241
Unite Mzansi Trading	863,122.06	863,122.06	232,995.40	630,126.66	270
Bravosat 25 CC	2,079,468.70	1,858,100.00	652,100.08	1,205,999.92	185
Goldcoast Trading (Goods)	195,450.00	194,450.00	65,686.50	129,764.00	196
Goldcoast Trading (KZN Deployments)	11,932,458	5,053,950.00	1,640,021.90	3,413,928.10	208
<b>Total</b>	<b>20,138,222.52</b>	<b>12,749,533.32</b>	<b>4,270,384.70</b>	<b>8,480,149.12</b>	<b>199</b>

- 21.016 Owing to the manner in which Goldcoast Trading invoiced the SAPS for the accommodation of members during the SWC it was not possible to reconcile cost of sale invoices to specific invoices issued by Goldcoast Trading. Consequently, the only means in which an analysis of the various types of information could be completed was to compare the aggregate quantity and amounts that were invoiced by Goldcoast Trading to their supplier invoices and the aggregate number of members, whilst using the average rate charged per member and comparing that with the rate to determine whether there was any variances with the amounts and quantities that were invoiced to the police.
- 21.017 As a result of the constraints encountered in respect of reconciling Goldcoast Trading supplier invoices to the invoices issued by them to the SAPS for the SWC, I had to provide for four scenarios in my analysis to be taken into account when determining the prejudice or losses that have been sustained by the police as a result of the various misrepresentations made by Goldcoast

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

Trading and/or Panday as detailed hereunder:

Scenario	Scenario Description	Prejudice ( R )
Scenario 1	Calculation of the value of overstated invoices	4,968,775.47
Scenario 2	Calculation of overcharge based on incorrect tariff used by Goldcoast Trading	2,025,035.88
Scenario 3	Calculation of potential overpayment to Goldcoast Trading.	12,357,656.88
Scenario 4	Calculation of Losses less 20% Gross Profit	10,995,983.16

*(Scenario 3 & 4 are mutually exclusive and cannot be added together to calculate the total prejudice )*

21.018 I have also prepared a flow chart containing a summary of the movement of funds between Panday's related entities and the accounts into which money was paid by these entities and/or Panday. This flow chart is annexed to this conclusion for ease of reference and should be examined together with my conclusion to understand the movement of funds between the accounts.

21.019 Of the R47,346,597.52 that was paid to Panday's related entities by the SAPS, R39,336,283 was paid into Goldcoast Trading's Nedbank account No. 1442016728 which was disbursed from this account as follows:

Beneficiary	Bank Account Details	Amount ( R )
Thoshan Panday	Standard Bank Account No. 252133412	2,070,000.00
	ABSA bank Account No. 4058448969	8,506,000.00
	Nedbank Account No. 5898460804057768	35,500.00
Privisha	Unknown	10,310,000.00
Cambric	Unknown	4,000,000.00
Bamath	Unknown	5,404,174.34
Seevesh Ishwarkumar	FNB Account No. 50429038596	1,080,639.21
	FNB Account No. 62254021878	17,500.00
Momentum		775,994.21
Cheques Cashed / or bearer cheques cashed <sup>1</sup>		3,225,746.24
Cash Withdrawal		207,200.00
<b>Total</b>		<b>35,632,754.00</b>

<sup>1</sup> Copies of all these paid cheques have not been provided to me for further analysis and therefore, this information has merely been extracted from the bank statements and or the available returned paid cheques that have been located amongst Goldcoast Trading's records.

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

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- 21.020 The Nedbank statements of Goldcoast Trading indicate that, in aggregate, R10,310,000 was transferred to “Privisha” where one transaction was in the amount of R10,000,000 and was transferred on 4 August 2010. I have inferred that this is Panday’s wife however, I do not have the supporting documents relating to these transactions and therefore, I am unable, at this time, to verify the contra account into which these funds were paid.
- 21.021 Of the R2,070,000 paid into Panday’s Standard bank account No. 252133412, R553,439.91 thereof was transferred to his Dinners Club account No. 36135773216 which account was used by Panday to pay for various items for Madhoe, Narainpershad and Lieutenant General Ngobeni.
- 21.022 It has also been determined that a significant portion of the money paid into the other bank accounts of Panday’s related entities by the SAPS were paid into Goldcoast Trading’s account with the exception of money paid into the account of Kaseev Traders.
- 21.023 Of the R1,552,019.40 paid into the aforementioned entity’s bank account R1,246,755 was paid into the FNB accounts of Seevesh Ishwarkumar whilst a further R207,200 was withdrawn from the account in cash.
- 21.024 Panday, with the assistance of Privisha Panday (his wife) and Arvenda Panday (his mother), set up a number of entities which he controlled but gave the impression they were independent of each other. These entities were then used, with assistance of Madhoe, Narainpershad and Major General Pillay, to make various misrepresentations to the SAPS and, in so doing, manipulated the SAPS procurement process so that they were awarded orders for the supply of goods and accommodation at significantly inflated prices that were not market related.
- 21.025 Lieutenant General Ngobeni intervened in the investigation into the procurement related procedures and tried to put a stop to any further investigation by giving direct instructions in this regard.

## Chartered Accountant and Forensic Auditor

## State versus Thoshan Panday and Others– Durban Central CAS 781/06/2010

24 November 2014

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- 21.026 During the same time period that the goods/accommodation was being supplied by Panday linked entities at inflated prices to the prejudice of the SAPS, and when Lieutenant General Ngobeni tried to stop any further investigation, Panday was making payments on behalf of or purchasing various items from airfares, a car, accommodation, a birthday party dinner, etc. for Madhoe, Narainpershad, Major General Pillay and Lieutenant General Ngobeni.



T S White  
Director: Forensic Services  
24 NOVEMBER 2014

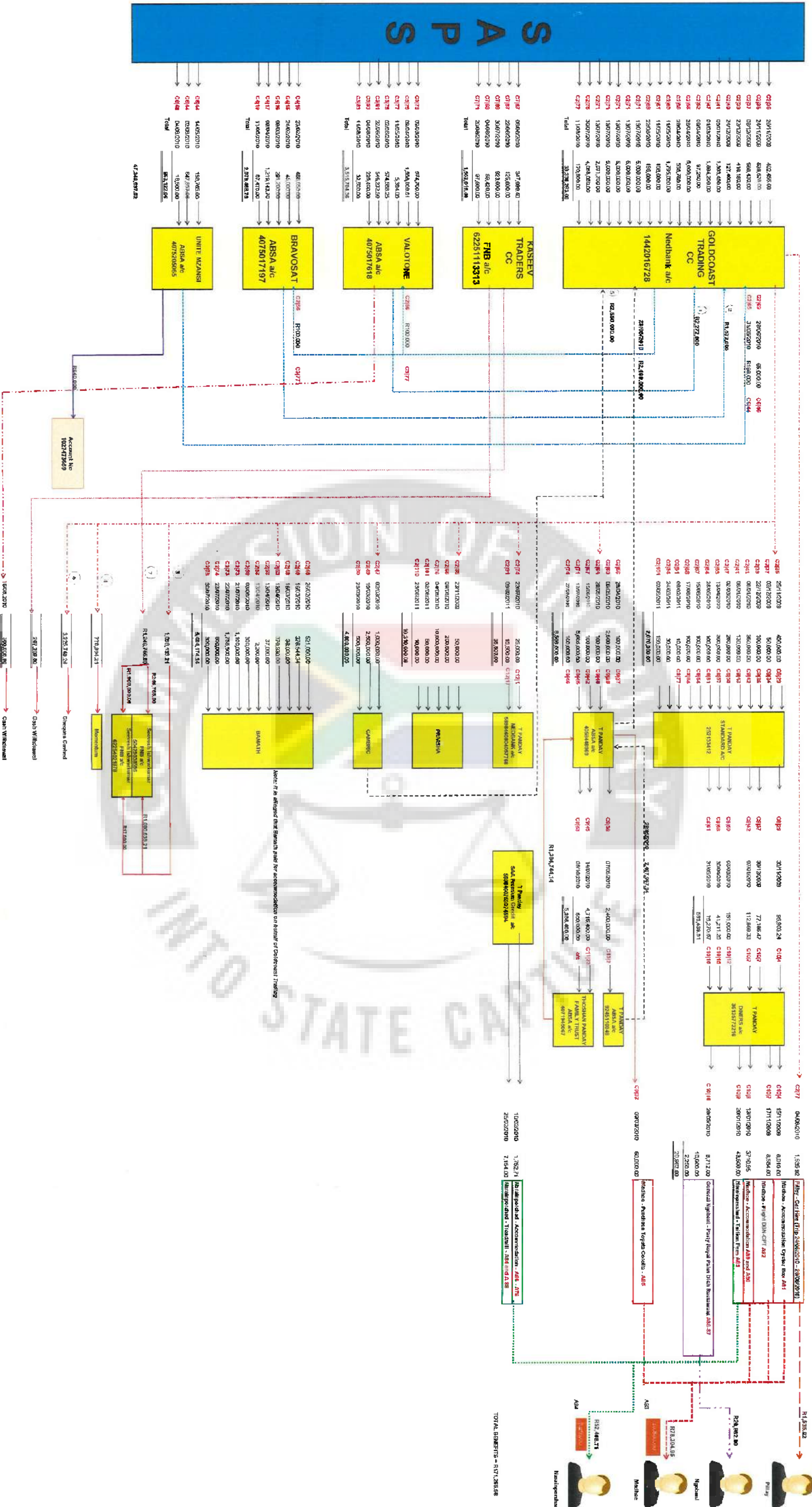


# 2





TS62



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# 3



State v Panday: Relationship between Significant Events and Benefits to SAPS Personnel

RR4-TSW-0514

S - I - G - N - I - F - I - C - A - N - T  
E - V - E - N - T - S

C - E - N - T - R - A - L  
E - V - E - N - T - S

01/05/2009

11/03/2009  
SS Oberholzer  
requested to draft  
letter to Head Office  
requesting authority  
to use police  
colleges during SMC

01/04/2009  
SS Oberholzer  
All Colliery not available  
Lack of communication  
with HQ. Matter should  
be addressed by the PC

28/09/2009  
Machine stated  
that the new body  
arranging accommodation  
for 350 members

02/10/2009  
Goalcast  
submitted quote  
for 350 members

04/10/2009  
Office of KZN PC  
submitted application  
for authority for the  
accommodation for the  
SMC  
Goalcast "Response Briefing"  
Costs - No Response plan being  
requested to quote

28/10/2009  
Letter forwarded  
to HQ by Madhoo  
to request approval  
of 550 members

20/11/2009  
Madhoo stated  
Financial Assistance  
R20,000.00

19/01/2010  
Madhoo stated  
that National sourcing  
providers of accommodation

02/05/2010  
In May 2010 received  
letter documents  
from Narainpershad.  
This was the first time  
Costs were of request  
for accommodation

04/05/2010  
PC Nephel called Major  
General Booyen re: the  
continuation of the  
investigation after  
the had stopped it

09/05/2010  
JRG terms  
PC Nephel to stop  
investigation into  
procurement  
process at SLM

10/05/2010  
PC Nephel  
stated  
with  
investigation  
should be terminated.  
Booyen again  
tried to stop  
investigation

28/05/2010  
Submission from  
KZN Deputy PC to  
National  
Commissioner at  
SMD re: Accommodation  
Goalcast R23,410,000  
Pwafu R1,427,500  
Costs R2,210,000

03/06/2010  
Col Monday  
(Finance)  
instructed to cease  
submitting anyone  
with documents  
pertaining to the  
investigation

04/06/2010  
Madhoo stated  
that BAC was  
urgent  
by RS Pillay

07/06/2010  
Accommodation  
of 700  
members approved by  
National Commissioner

21/06/2010  
Major General  
Booyen informed  
PC that a criminal  
case had been  
opened

15/06/2010  
PC Nephel called meeting with  
Major General Booyen,  
Theban Panday and his  
attorney were present  
at the meeting

02/07/2010

16/11/2009  
Optus Bus  
Accommodation  
24-15 Nov '09  
R6,010.00  
Madhoo

17/11/2009  
SAA  
Flight Book-CT  
R6,585.00  
Madhoo

05/01/2010  
Europe  
Car Hire  
R1,515.87  
Glen Rd Pillay

20/01/2010  
Voorley College  
Tuition Fee  
R48,500.00  
Narainpershad

12/01/2010  
Protea Hotel  
Kendall  
12/01/09-10  
R2,490.10  
Narainpershad

25/01/2010  
Game  
Trekkaal  
R7,154.00  
Narainpershad

04/05/2010  
Admission Card  
Tuition Fee  
R20,000.00  
Madhoo

20/04/2010  
Protea Hotel  
Kendall  
R3,250.00  
Narainpershad

24/05/2010  
Protea Hotel  
Kendall  
R3,250.00  
Narainpershad

24/05/2010  
Major General  
Booyen informed  
PC that a criminal  
case had been  
opened

KEY: Pink – PC Ngobeni, Green – Narainpershad, Red – Madhoo, Blue – RS Pillay

W

4



TSW4



Col Hans van Loggerenberg  
 Directorate for Priority Crime Investigation  
 KwaZulu-Natal  
 Room 1421, 14<sup>th</sup> floor  
 SAPS Durban Central  
 Stanger Street  
 Durban  
 4001

9 April 2014

Dear Sir

**DURBAN CENTRAL CAS : 781/06/2010**

Our meeting this morning at which you handed me a copy of the letter from Adv TA Letsholo, dated 25 March 2014, regarding the aforementioned matter has reference.

I have read the letter and have the following comments.

1. The draft PwC report dated 10 May 2013, consisting of 373 pages and 20 lever arch files of annexures was also discussed at the meeting with Adv Letsholo and Adv Vimbani on 21 May 2013 and he was given a copy thereof. This was in addition to the SAPS volumes containing witness statements. The first time I received feedback from Adv Letsholo regarding the draft report was on 10 December 2013.
2. The sources of the information and documents that were used to prepare our draft report dated 10 May 2013 is set out in section 9 of that report. This included documents and computers seized by SAPS in terms of search warrants, documents subpoenaed by SAPS, internal SAPS documents and documents provided by witnesses interviewed by SAPS.
3. No evidence from any Act 70 authorised recordings of telephone conversations of Mr Thoshan Panday or any other person was ever given to myself or any member of my team as part of our investigation in this matter. In addition neither myself or any other member of PwC have ever listened to any of the recordings that were obtained by the SAPS Crime Intelligence Unit in terms of Act 70.

PricewaterhouseCoopers Advisory Services (Pty) Ltd, Reg. no. 1999/024417/07  
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J G Louw – National Advisory Leader  
 The Company's principal place of business is at 2 Eglon Road, Sunninghill where a list of directors' names is available for inspection.



annexure JVL / (2)



4. The fact that there were Act 70 recordings was discussed at the meeting with Adv Letsholo on 21 May 2013 but it was clearly stated by Col van Loggerenberg that these did not related to Cas 781 but to Cas 466 and that they were not used in the investigation relating to Cas 781, being the matter in which PwC had prepared the report referred to in paragraph 1 above.
5. Towards the end of the meeting on 15 January 2014, referred to in paragraph 2 of Adv Letsholo's letter, Adv Letsholo was asked by one of the SAPS members present, I cannot recall which one, what he thought of the case and our evidence. Adv Letsholo stated that it was his view that there is a very good case against Narainpershad, Madhoe and Panday. After some discussion and further clarity regarding RS Pillay he agreed that there was also a case for Pillay to answer.
6. Up to this stage Adv Letsholo had made no mention of Provincial Commissioner Ngobeni. Col van Loggerenberg asked what about the "PC" to which Adv Letsholo replied that he had some reservations. There was then further discussion during which Col Van Loggerenberg compared the evidence implicating Narainpersad (specific mention was made about the treadmill Mr Panday bought for him) and the birthday party that Mr Panday paid for for the PC's husband. Col van Loggerenberg then went on to say if Adv Letsholo did not think there was enough evidence against the PC then there was not enough evidence against Narainpersad as the evidence was the same and he might as well close the docket. Adv Letsholo then said he would relook at the evidence and would provide feedback at the next meeting. No feedback was provided in this regard, while I was present, in the next meeting which was on 14 March 2014.

I have not commented on the remainder of the issues raised in Adv Letsholo's letter as I have no personal knowledge of these.

Yours faithfully

Trevor White

Director: Forensic Services

# 5





TSW 5

**DIRECTORATE OF PUBLIC PROSECUTIONS  
KWAZULU NATAL**



The National Prosecuting Authority of South Africa  
Igumya Jikelele Labethushshisi bolMzantsi Afrika  
Die Nasionale Vervolgingsgesag van Suid-Afrika

**MEMORANDUM**

**TO: THE SAPS INVESTIGATING OFFICERS  
DURBAN CENTRAL CAS 466/09/2011**

**FROM: ADV. MOIPONE NOKO  
DIRECTOR OF PUBLIC PROSECUTIONS  
KWAZULU-NATAL**

**SUBJECT: DURBAN CENTRAL CAS 466/09/2011  
CORRUPTION AGAINST MR TOSHAN PANDAY AND COL.  
NAVIN MADDOE**

**DATE: 21 OCTOBER 2014**

DPP  
301 Church Street  
PIETERMARITZBURG  
3201

P/Bag X9008  
PIETERMARITZBURG  
3200

KwaZulu Natal  
South Africa

Tel: 033 845 4405  
Fax: 033 394 6891

**1. INTRODUCTION**

I had previously provisionally withdrawn this matter on the basis that there were considerations of justice that I had to look into in order to arrive at a proper decision that is in the interests of justice. These have been so looked into and my decision is indicated hereunder with substantiation.

[www.npa.gov.za](http://www.npa.gov.za)

**2. BACKGROUND**

- 2.1 A case with Durban Central CAS 466/09/2011 (Case 466) originates from the alleged case with Durban Central CAS 781/06/2010 (Case 781) (the alleged 2010 FIFA World Cup R60 million Fraud at Durban SAPS) with allegations that, *inter alia*, Mr Thoshan Panday (a businessman and Col. Navin Madhoe (SAPS officer at Durban Headquarters at procurement services) committed fraud against the SAPS by

Justice in our society, so that people can live in freedom and security



inflating accommodation costs for SAPS members who used Mr Panday's accommodation services in KZN during the FIFA World Cup in 2010.

2.2 Case 466 has allegations that both Mr Panday and Col. Madhoe bribed Maj. Gen. Johan Booysen by offering and giving him an amount of R2 million in exchange for a report in the 781 case which would have assisted both Mr Panday and Col. Madhoe to be exonerated from criminal liability in the 781 case.

2.3 Case 781 was dealt with by the Specialised Commercial Crime Unit (SCCU) in Durban and disposed of recently with a decision not to prosecute anyone as there was no evidence to prosecute any person with any offence. It has been revealed by the SCCU that the SAPS members who were charged with the investigation of this 781 case was gunning for the prosecution of a specific person (KZN SAPS Provincial Commissioner, Lt. Gen. Ngobeni) and Mr Panday and Col. Madhoe were being pressurised to falsely implicate her in the commission of criminal offences, with a promise that they will be exonerated in 781. When the SAPS investigators realised that the PC cannot be charged in this case (781), simply because there is no evidence against her, one I/O reportedly said that the SCCU prosecutor may as well just close this 781 case. It appears Mr Panday and Col. Madhoe featured nowhere in the 781 then as the focus was on the PC. One then may ask a question, why was Col. Madhoe arrested in 466 case. Was this a lawfully justified arrest or was it a way to pressurise him to implicate the PC, as he (Col. Madhoe) even mentions in his representation that he was being regularly interviewed by the I/Os so as he falsely incriminate the PC, which he flatly refused.

2.4 The SCCU revealed the scheming and intercepting of phone calls of, *inter alia*, Mr Panday, with a motive and agenda to falsely implicate certain people. They allegedly even went further to even boast to Mr Panday telling him that they know what his defence in the 781 case will be, as they heard his discussions with his legal representative through the intercepted calls.

2.5 Mr Panday was even promised by SAPS members in the 781 case that if he falsely implicate the PC, they would get rid of the 466 case. It was further explained to Mr Panday that the benefit of this sought incrimination of the PC for them (SAPS members) will be that the PC will be forced to resign and then Maj. Gen. Booysen will become the next KZN PC, further, Maj. Gen. Deena Moodley would remain in control of the secret fund.

2.6 The 781 matter which forms the basis and reason for the alleged corruption of Maj. Gen. Booysen by Col. Madhoe, was found to be non-existent by the SCCU.

2.7 Maj. Gen. Booysen is the complainant and the only witness in the 466 case against Mr Panday and Col. Madhoe.

The very Mr Panday and Col. Madhoe who allegedly refused to pave the way for him to become the next KZN SAPS PC by refusing to falsely implicate the current Provincial Commissioner Lt. Gen. Ngobeni.

2.8 The 466 case is investigated by the members of the police who fall under the command of Maj. Gen. Booysen, who is the complainant in the 466 case. Their objectivity in dealing with this case (466) becomes questionable, especially with the Cato Manor case cloud hanging over their heads. This, I believe, would shake their credibility and the court would view all these in favour of the two, Mr Panday and Col. Madhoe.

2.9 Maj. Gen. Booysen, being the complainant in the 466 case, interfered with and exercised control in this case even going to an extent of determining and deciding on who visits Col. Madhoe when he was detained in the Durban Central police cells in the 466 case. This is exhibited by the letter that was issued on his direct instruction to the Durban Central Police Station Commander, Brigadier VR. Stokes. This letter, dated 16 September 2011, addressed to All Relief Commanders and Cell Commander and titled "VISITATION, DURBAN CENTRAL CAS 466/09/2011 : N. MADHOE", provides that

Guided by the Constitution, we in the National Prosecuting Authority ensure justice for the victims of crime by prosecuting without fear favour or prejudice and by working with our partners and the public to solve and prevent crime

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"On the direct instruction from Maj. Gen. Booysen, only the following persons will be allowed to visit him, - 1. Maj. Gen. Booysen; 2. Maj. Gen. Moodley, *et cetera*.

What is amazing with this is that Maj. Gen. Booysen issues an instruction regarding who must visit a suspect in a case that he is a complainant in himself. Further, he also has a visitation right in this as it appears in the letter him being mentioned as number one among those who are allowed to visit Col. Madhoe. By the way, what would a complainant want to visit a suspect in their own case for? This is unheard of and smacks of an agenda.

- 2.10 The allegation that the accused in 466, Mr Panday and Col. Madhoe, wanted Maj. Gen. Booysen to predate a report in the 781 case in order to have the section 205 subpoenas set aside (subpoenas for access to the bank account records) and consequently bribed Maj. Gen. Booysen to do that, does not really hold water because the fact is that if there has been any corruption (bribing of Maj. Gen. Booysen) that took place, would not make the corruption and its successful prosecution impossible, as sections 3(b) and 4(1)(b) of the Prevention and Combating of Corrupt Activities Act 12 of 2004 state. The alleged report in the 781 case that it was alleged was to be predated to invalidate the section 205 subpoenas did not suffice to prove fraud or any offence against anyone, especially Col. Madhoe and Mr Panday, who are alleged to have bribed Maj. Gen. Booysen for the predating of this very report. This report is made out to be the evidence in the 781 case to prove Fraud against Mr Panday and Col. Madhoe, but one wonders why it could not be seen in this way by the SCCU. If then there is no fraud that could be proven by the SCCU in the 781 case, why would Col. Madhoe (and Mr Panday) bribe Maj. Gen. Booysen, or anyone for that matter, in respect of the 781 case using this report? One would expect that they would know what is contained in the 781 case against them as they are part of it, they would know what they did to even know what this report has against them, especially Col. Madhoe who was then a procurement official who processed the accommodation documents leading to the 781 case.



2.11 Col. Madhoe alleges to have met with Maj. Gen. Booysen approximately on eight (8) occasions at Maj. Gen. Booysen's instance regarding the Cato Manor unit's shooting incidents before the 466 case came into being. I will say no more regarding this issue as the Cato Manor matter is *sub judice*. This, however, indicates a history of some sort being shared by the two, Col. Madhoe and Maj. Gen. Booysen. Now they are complainant and the accused in the 466 case, respectively.

2.12 There is an assumption that is not substantiated by evidence that Mr Panday is part of the alleged bribing of Maj. Gen. Booysen by Col. Madhoe. This assumption is derived from the position that they both are suspects in the 781 case. This will not stand in court as evidence for corruption against them.

2.13 This is one of those "your word against mine" kind of cases as it is Maj. Gen. Booysen's word against that of Col. Madhoe. However, section 208 of the Criminal Procedure Act 51 of 1977 provides that a conviction may follow on evidence of a single witness. The cautionary rules may be applied by the court in this case especially given the background of this case, and the challenge here is that Maj. Gen. Booysen himself is alleged to be hitting back at Col. Madhoe for the damning information that Col. Madhoe has against him relating to the Cato Manor case. Col. Madhoe alleges that Maj. Gen. Booysen is trying to silence him with the allegation of the R2 million corruption for the damning information that he has against him. A22, a former SAPS Constable Sandesh Dhaniram, confirms the possession of this information about Maj. Gen. Booysen by Col. Madhoe in the form of discs.

2.14 If the legal strength of the section 205 subpoenas was based on the date on the report, as it is alleged, hence Col. Madhoe wanted it predated to invalidate the subpoenas, it is inconceivable that any person, let alone a Colonel in the SAPS (a person of Col. Madhoe's calibre who was working on these issues of procurement at SAPS) would not know that SAPS could simply obtain other section 205 subpoenas that would tally with the new predated date in the report. His problem would not have been resolved, therefore, one may ask why would he bribe Maj. Gen. Booysen when this would

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 assure justice for the victims of crime by prosecuting without fear  
 favour or prejudice and by working with our partners and the public to  
 solve and prevent crime

not provide a permanent solution to his alleged problem. This dating of this report would not have caused any subpoena to be set aside because it is not evidence in the 781 case, neither does it have any bearing as far as the procedural steps and prerequisites for obtaining a section 205 subpoena is concerned. This was proven by the SCCU in the 781 case.

2.15 Further, it appears that Maj. Gen. Booysen was not the investigator in the 781 case, but Col. Van Loggerenberg and others were. Therefore, a question arises that why would a favour of the predating of the report that should be in possession of those who are investigating the 781 case be sought from Maj. Gen. Booysen, not the investigators.

2.16 The cell phone records purported to reflect the calls between Mr Panday and Col. Madhoe do not indicate any specific crime having been planned. It is haphazard conversations with slang and profane language between the two people that one cannot really make out what issue was being discussed as a lot of different issues were being spoken about. More especially, a criminal offence cannot be deduced as constituted by the facts from their conversations in the cell phone records available. A question may be asked that on what basis was an inference drawn by the police Investigators that these conversations pertain to or constitute a criminal offence being planned by the couple, specifically that they were planning to bribe Maj.Gen. Booysen. The alleged authority to intercept the calls for which both Col.Madhoe and Mr Panday's calls are alleged to have been recorded was issued during June 2011 for June to September 2011. This appears to go way before the 466 case. This then ties up with what the SCCU has revealed that people's calls were being recorded and the period tallies with the 781 case rather than the 466. One then wonders if the 781 recordings are not utilised in another case, the 466 case, which is not permissible..

### 3. CONCLUSION

- 3.1 I have decided to decline to prosecute (*Nolle Prosequi*) both Col. Madhoe and Mr Panday for corruption or any offence in the 466 case. This is due to lack of reasonable prospects of a successful prosecution, as explained and substantiated *supra*. Further, there appears to be agendas among the parties and scores to be settled, unfortunately we appear to be used to assist whoever to settle those scores and push those agendas. We are expected to act impartially and ethically in the execution of our duties as officials of the National Prosecuting Authority, thus any indication that we are being used in a manner that flies in the face of our values, ethics and Code of Conduct, must be avoided and not be entertained at all, hence I hereby do by declining to prosecute in this case.

Kind regards



ADV. M. NOKO  
DIRECTOR OF PUBLIC PROSECUTIONS  
KWAZULU-NATAL

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SUID-AFRIKAANSE POLISIEDIENS



SOUTH AFRICAN POLICE SERVICE

Reference : Durban Central CAS 466/09/2012  
Enquiries : Maj Gen Booysen  
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E-Mail : Booysen.J2@saps.gov.za

OFFICE OF THE PROVINCIAL HEAD  
DIRECTORATE FOR PRIORITY  
CRIME INVESTIGATIONS  
DURBAN

2014-11-19

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0001

**DURBAN CENTRAL CAS 466/09/2012 : CORRUPTION AGAINST MR THOSHAN PANDAY AND COLONEL NAVIN MADHOE :**

1. I refer to a missive from the office of the DPP in KwaZulu-Natal, Advocate M Noko dated 21 October 2014. For your easy reference I attach a copy marked "Annexure A".
2. This missive from Advocate Noko is rather verbose. It is permeated with conjecture, innuendo, inaccuracies and in certain instances blatant untruths. Her assertions are an aberration which lacks substance supported by credible evidence.
3. I will deal with her assertions hereunder.

*Ad par 2.3*

I respectfully disagree with the submission by Advocate Noko that "*there was no evidence to prosecute any person with any offence*" in the main investigation pertaining to the R60M corruption. The reference number of this case is Durban Central CAS 781/09/2011. It is my submission that there is a *prima facie* case against Mr Thoshan Panday, Colonel Navin Madhoe as well as Captain Ashwin Narrainpersad.

For purposes of this submission I refrain from detailing the evidence in this matter save to say that it contains in excess of twenty (20) lever arch files of documents, more than two hundred (200) affidavits as well as a forensic audit report compiled by an independent group of auditors namely Price Waterhouse Cooper.

M

I find it objectionable that the Specialized Commercial Crimes Unit (SCCU) from her office seeks to entertain and attach credibility to the claims of the suspects in this matter. Quite how it has been "revealed" by the SCCU that SAPS members charged with the investigation of Durban Central CAS 781/09/2011 was gunning for KZN Provincial Commissioner, Lieutenant General Ngobeni – is unclear. This imputation is not supported by any evidence other than the contrived version of the suspects themselves. I, for one, has never expressed any desire to become the Provincial Commissioner of KZN and neither have I applied for this position before. In my view this is a fallacious argument since the Durban Central CAS 781/09/2011 investigation pertained to procurement irregularities before the 2010 Soccer World Cup. The investigation focused on irregularities before her appointment as Provincial Commissioner. It is thus ludicrous to believe the suspects ie. Panday and Madhoe in this regard. The investigating officers could not have wanted to "falsely implicate" the Provincial Commissioner for a crime that took place before she assumed her post. Her involvement in the matter relates to attempts by her to interfere with the investigation after she assumed her position as Provincial Commissioner, and not with regard to the procurement irregularities *per se*.

The conclusion by Advocate Noko that neither Panday nor Madhoe features anywhere "no where" (sic) is manifestly wrong and this conclusion ought to be challenged. There is overwhelming evidence to support a converse conclusion.

The question by Advocate Noko as to why Madhoe was arrested in a subsequent attempt to bribe me is rather rhetoric. A reading of case 466/09/2011 will demonstrate beyond doubt that Advocate Noko's reasoning is fallacious and wrong. I find it reprehensible that the suspect's version of events is preferred by Advocate Noko. This is a worrying precedent.

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*Ad par 2.4*

Quite how the SCCU “revealed the scheming and intercepting of phone calls of, *inter alia*, Mr Panday, with a motive and agenda to falsely implicate certain people” in my opinion is a mystery. The tenor and tone of Advocate Noko’s assertions in this paragraph is indeed worrying and ought to be examined. In her own words there is no proof of Panday’s claims as she refers to mere “allegations”. Her preference of believing the suspect’s version over the police’s version raises to my mind a question of purpose of impropriety.

*Ad par 2.5*

Other than the claims by the suspects in this matter, who had much to lose, had the investigation led to a prosecution, and conversely much to gain should they have managed to derail the investigation, there is no evidence whatsoever to remotely support the claims contained in this paragraph. In any event, why would the Provincial Commissioner be forced to resign if she knew the evidence against her was contrived? Furthermore, there is no guarantee that I would succeed her as Provincial Commissioner. Pre-supposing that she had resigned, for this or any other reason, her vacant post would have been advertised and prospective candidates evaluated for possible appointment. It is my submission that Panday and company have failed to compromise me. They have attempted to have the investigation stopped. The Deputy National Commissioner for the HAWKS – Lieutenant General Dramat is *aux fait* with the detail. When this failed they brought in an unsuccessful application in the High Court to thwart the investigation. After they failed to bribe me with R2M in cash, they have obviously run out of ideas. To now suggest an agenda by myself to become Provincial Commissioner at the expense of Lieutenant General Ngobeni is not supported by any evidence and ought to be rejected.

Lieutenant General Ngobeni has no control over the Secret Fund. If I had to succeed her the situation would remain the same. To postulate that Major General Moodley would therefore remain in control of the Secret Fund makes no sense and is in any event irrelevant.



*Ad par 2.6*

I have dealt with Durban Central CAS 781/09/2011 in par 3 (*Ad par 2.3) supra*. This submission by Advocate Noko, I repeat, is based on a fallacious argument.

*Ad par 2.7*

I am not the complainant in the matter of Durban Central CAS 466/09/2011. This is a disingenuous proposition by Advocate Noko so as to build a legend for her imputations contained in par 2.8 and 2.9 *infra*. For one, the State is the complainant in the corruption matter. I am merely one of many witnesses. Advocate Noko clearly doesn't understand my role in this investigation. She also chooses to ignore the fact that the Durban Central CAS 781/09/2011 investigation was initiated by none other than the Financial Head in the province Brigadier Laurence Kemp. It is inconceivable that Brigadier Kemp knew about my "aspirations" as alleged by Advocate Noko, unless he obviously colluded with me to discredit the Provincial Commissioner. Had Advocate Noko however bothered to examine Brigadier Kemp's statement in Durban Central CAS 781/09/2011, she would have established the origin and source of this entire investigation.

*Ad par 2.8*

Advocate Noko is mendacious in stating that the investigating officers's objectivity are questionable, especially with the Cato Manor case cloud hanging over their heads. The investigating officers in these matters are as follows :

Durban Central CAS 781/09/2011	Colonel van Loggerenberg
Durban Central CAS 466/09/2011	Colonel du Plooy
Durban Central CAS 122/04/2012	Colonel Herbst

None of these investigating officers were ever attached to the Cato Manor Unit. They are not implicated in the Cato Manor issue at all, hence their credibility cannot be questioned as implied by Advocate Noko.

In any event, it would appear that Advocate Noko is usurping the function of the courts, as the credibility of witnesses ought to be pronounced upon by the courts.

M

*Ad par 2.9*

Advocate Noko is seriously misguided to suggest that I interfered with an exercised control in Durban Central CAS 466/09/2011. Had she complied with the NPA policy guidelines she was at liberty to consult with me to establish the facts which I will detail now.

- As the Provincial Head – HAWKS, it is incumbent upon me to exercise control over all investigations conducted by the HAWKS in KZN.
- The National Head – HAWKS, were kept abreast of all developments in this investigation.
- To suggest that I “interfered” with the investigation is akin to suggest that Advocate Noko herself is interfering with the functions of her subordinates.
- There is nothing mysterious regarding my instruction with regard to visits to Madhoe. Initial investigations revealed complicity by officers within SAPS. This entry into the occurrence book was made to obviate attempts by officers with *mala fide* intentions.
- I have dealt with the matter regarding me being the complainant above (see *Ad par 2.7*). Once again the tenor and tone of Advocate Noko’s contentions appears to be that of a defense counsel rather than that of a Prosecutor. The fact that I had not visited Colonel Madhoe at all subsequent to his arrest, or that I have not personally communicated with him directly or indirectly demonstrates that Advocate Noko’s assertion that it “*smacks of an agenda*” is misguided and I reject it with contempt.

*Ad par 2.10*

Advocate Noko chooses to be deliberately obtuse. For one, there is indeed *prima facie* evidence against Colonel Madhoe and Mr Panday in Durban Central CAS 781/09/2011. The attempt by Colonel Madhoe and Mr Panday to derail the investigation in Durban Central CAS 781/09/2011 emanates from their unsuccessful application to have the Section 205 subpoenas set aside.

✓ M




Although the report in question itself does not contain *prima facie* evidence of a crime being committed, pre dating the report to a date before the application for the Section 205's could have rendered the 205's and subsequent evidence obtained, inadmissible. Information contained in this report obtained evidence gleaned as a result of the 205's. In other words, if I had predated this report it would have meant that the investigators had obtained the information illegally, before obtaining the Section 205 subpoenas.

Advocate Noko rightly indicates that Colonel Madhoe was from the procurement section. He has inadequate legal knowledge to argue the points raised by Advocate Noko. The sentence : *"One would expect that they would know what is contained in the 781 case against them as they are part of it, they would know what they did to even know what this report has against them, especially Col Madhoe who was then a procurement official who processed the accommodation documents leading to the 781 case."* Is incoherent and difficult to understand ie. How and why would Panday and Madhoe know what is contained in 781? They were the suspects in the matter and not the investigators. Furthermore, they knew exactly what was contained in this report since they had illegally obtained it. Two copies of the report was found in Madhoe's vehicle on two separate occasions. A third copy of the report had fingerprints that matched those of Panday on it. All this evidence is contained in the dockets and for some unknown reason appears not to have been considered.

*Ad par 2.11*

Advocate Noko once again prefers to exclude reliable evidence in Durban Central CAS 466/09/2011 in favor of Colonel Madhoe's allegations who obviously stands to gain by making these false allegations. There is objective evidence in 466 such as cellphone tower and communication correlation analyses (obtained from the cellphone records of Colonel Madhoe and Mr Panday), sms's sent by Colonel Madhoe, affidavits from Brigadier Madonsela and Sergeant Govender as well as the cellphone records of Colonel Madhoe, Mr Panday and myself to prove that the converse is in fact true – it was Madhoe who in fact contacted myself on a number of occasions.





The objective facts will also prove that the meetings took place before the so called Cato Manor matter. I would venture to suggest that by not considering the objective evidence and to favor unsubstantiated submissions by accused smacks of an agenda itself. If Advocate Noko had regard to all the available evidence at her disposal she would not have come to the conclusion she has.

Advocate Noko should be aware that my involvement in the Cato Manor matter is not *sub judice*.

Once again the last sentence in this paragraph i.e.: *"This, however indicates a history of some sort being shared by the two, Col. Madhoe and Maj. Gen. Booysen, Now they are complainant and the accused in the 466 case, respectively."* Is incoherent and difficult to understand

*Ad par 2.12*

Advocate Noko fails to ascribe these assumptions to anyone. Neither the investigators nor I have come to this assumption. If she is coming to this assumption she once again fails to consider *prima facie* evidence in 466. For instance the statement of the person who drew the money on behalf of Mr Panday, Mr Panday's fingerprints on the document in question, and the paper slips found amongst the money offered to myself which is linked to Panday's bank account, to name but a few.

*Ad par 2.13*

This is not a matter of "*your word against mine*" case. If Advocate Noko had regard to all the evidence it would be clear that there is not only direct witness evidence but also objective technical evidence and circumstantial evidence to support my version. No such evidence, other than false allegations by the suspects exist to support Madhoe's claims. The reference to Dhaniram's statement is rather surprising as a careful examination of this statement actually confirms my version.

J M

Advocate Noko failed in her duty to study the outcome of my successful application in the High Court (see Booysen vs NDPP). Had she done so she would have realized that no such evidence as purported by Colonel Madhoe exist. I fail to understand how Advocate Noko seeks to accept an untested and unfounded allegation by a suspect who faces serious consequences. In this regard I also quote a passage of a finding by the Appeal Court in State vs Zuma - where the honorable Judges of the Appeal court held the following : ***"The court dealt at length with the non-contentious principle that the NPA must not be led by political considerations and that ministerial responsibility of the NPA does not imply a right to interfere with a decision to prosecute (para 88 et seq). This, however, does need some contextualization. A prosecution is not wrongful merely because it is brought for an improper purpose. It will only be wrongful if, in addition, reasonable and probable grounds for prosecuting are absent, something not alleged by Mr Zuma and which in any event can only be determined once criminal proceedings have been concluded. The motive behind the prosecution is irrelevant because, as Schreiner JA said in connection with arrest, the best motive does not cure an otherwise illegal arrest and the worst motive does not motive and otherwise legal arrest illegal. The same applies to prosecutions."***

*Ad par 2.14*

I have dealt with this adequately *supra*. I would like to add however that Advocate Noko wrongly assumes imputed knowledge of law by Madhoe, she herself points out that he works at Procurement who hardly if ever works with Section 205 subpoenas. What concerns me however of this paragraph is once again the tenor and tone of her assertions. She is once again deliberately obtuse and misconceives the allegation against Madhoe. I find it concerning that the SCCU seeks to "prove" allegations by suspects.

J M

*Ad par 2.15*

Advocate Noko once again demonstrates her ignorance of the evidence at her disposal. The report in question was undated when I received it. It is common practice in SAPS communication protocol for the recipient to date stamp and sign reports when they receive it. It is this date Madhoe wanted me to predate. The fact that I, as a potential witness in this regard, was not interviewed, is indeed worrying.

*Ad par 2.16*

Advocate Noko, I respectfully submit, could not have listened to all the recordings between Panday and Madhoe. Her conclusion otherwise would be irrational and subjective. It is evident that she has considered some of the recordings to the exclusion of others, which may very well have resulted in a wrong conclusion.

It is common cause that Panday's calls were intercepted prior to the 466 case. In any event, even if she would argue that the recordings are inadmissible, it does not render them illegal. Furthermore, there is enough *prima facie* evidence to secure a successful prosecution in 466 – without presenting the Act 70 interceptions as evidence. This, I understand, was the stance and view of the investigator.

In conclusion, it is unfortunate that Advocate Noko seeks to accuse me of having an agenda in these investigations. Even if it was true, and I deny this strenuously, the AD has pronounced itself adequately in this regard. (see par 2.13 *supra*). I suspect that the converse is true. This matter had been outstanding for more than two years. I think it is no co-incidence that this missive co-insides with the renewal of the Provincial Commissioner's contract. The fact that Advocate Noko has failed to return the case docket to the investigating officers in spite of requests by them and the subsequent timing of this missive leaves me with this inescapable conclusion.

→ M

I hereby request you to summon all the relevant dockets to your office and to have same evaluated by an independent team from your office. This issue has been widely reported in the local media. It has drawn various negative remarks from the public and commerce. It is in the best interest of the Judicial System the National Prosecuting Authority, the South African Police Service, Mr Panday, Colonel Madhoe and Captain Narainpersad for these issues to be ventilated in an appropriate manner once and for all.

I trust that you will interpret my letter as a concern rather than a complaint.

Yours faithfully



MAJOR GENERAL  
PROVINCIAL HEAD : DIRECTORATE PRIORITY CRIME INVESTIGATION  
J W BOOYSEN

W M



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TSW 7

In the matter between:

PMB CASE NO: 151/8/2010

THE STATE

And

GASTON SAVOI

ACCUSED 1

BUSISIWE MURIEL NYEMBEZI

ACCUSED 2

FERNANDO PRADERI

ACCUSED 3

YOLISWA LULAMA MBELE

ACCUSED 4

INTAKA INVESTMENTS (PTY) LTD/ INTAKA TECH (PTY) LTD/ INTAKA  
HOLDINGS (PTY) LTD

ACCUSED 5

## REPORT OF TREVOR SEAN WHITE

Dated

24 May 2010

Specialist field

Chartered Accountant and Forensic Auditor


On behalf of the Prosecution

The Director of Public Prosecutions

On the instruction of

The Department of Health KZN

Subject matter

Investigation conducted into the Awarding of a contract for  
Oxyntaka Self- Generating Oxygen Plants to Intaka  
Investments (Pty) Ltd
  
 Trevor White  
 PricewaterhouseCoopers  
 PO Box 1049  
 DURBAN  
 4000

 Telephone 031 271 2000  
 Facsimile 031 202 8220  
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C M

**Report of Trevor White**  
**Chartered Accountant and Forensic Auditor**

**The State v Gaston Savoi and others**

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**Report of Trevor White  
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**Report of Trevor White**  
**Chartered Accountant and Forensic Auditor**

**The State v Gaston Savoi and others**

**ABBREVIATIONS AND TERMINOLOGY**

The following are abbreviations and terminology that have been used in this report:

<b><i>Abbreviated name/ terminology</i></b>	<b><i>Full name and/or description</i></b>
BAS	Basic Accounting System
Biyela	Ndodo Biyela, Chief Financial Officer
Buthelezi/ CFO	ASS Buthelezi, ex- Chief Financial Officer
Cheatle	Samantha Cheatle (Foulkes), Personal Assistant to Dr Nyembezi
CSCM	Central Supply Chain Management
Dr Mbele	Dr YL Mbele, ex- Acting Head of Department
Dr Nyembezi	Dr BM Nyembezi, ex- Head of Department
HOD	Head of Department
IALC Hospital	Inkosi Albert Luthuli Central Hospital
Intaka	Intaka Investments (Pty) Ltd, Intaka Tech (Pty) Ltd, Intaka Holdings (Pty) Ltd
Kantha Padayachee	Prenitha Kantha Padayachee, General Manager, Legal Service, DOH
Mthembu	Nozipho Mthembu, Manager, Human Resources Strategic Planning
Nkonyeni	Ms Peggy Nkonyeni, Ex- MEC KZN Department of Health
Ntshangase	VRM Ntshangase, General Manager, Budget and Supply Chain Management
Oxyntaka	Oxyntaka self- generating oxygen plants
PA	Personal Assistant
PFMA	Public Finance Management Act, Act 1 of 1999
PMSC	Provincial Medical Supply Centre
Praderi	Fernando Praderi, Intaka

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<b>Abbreviated name/ terminology</b>	<b>Full name and/or description</b>
Prash Padayachee	Prasheeka Padayachee, General Manager, Corporate Governance, IGR and ISC
PwC	PricewaterhouseCoopers
Savoi	Dr Gaston Savoi, Intaka
SAPS	South African Police Services
SCM	Supply Chain Management
SCM Delegations	Department of Health, Interim Supply Chain Management Delegations
Sipho Shabalala	Sipho Shabalala, ex- Head Provincial Treasury and husband of Beatrice Shabalala
The Department/ DOH	KwaZulu-Natal Department of Health
van der Merwe	Gerhardus van der Merwe, ex- Manager, Infrastructure Development
Westwood	Robin Westwood, Infrastructure Development
Zondo	Andile Zondo, Manager, Central Supply Chain Management

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**A. - AUTHOR'S DETAILS**

**1.000 Name**

1.001 Trevor Sean White.

**2.000 Personal details**

2.001 I am a male with identity number 6611245014087, 43 years old. I am a director of PricewaterhouseCoopers Advisory Services (Pty) Ltd, 102 Stephen Dlamini Road, Berea, Durban with telephone number (031) 2712000.

**3.000 Experience and qualifications**

3.001 I joined Price Waterhouse in 1989, and was admitted as a director of PricewaterhouseCoopers on 1 July 1998, following the merger of Price Waterhouse and Coopers and Lybrand. I am presently the director in charge of the Risk Advisory Services department, which incorporates the Forensic Investigations Department of PricewaterhouseCoopers in KwaZulu-Natal.

3.002 I have conducted numerous fraud investigations for both public and private sector clients and have given evidence in the South African High Court and the Regional Court and in the Lesotho High Court. I have also presented evidence to a Commission of Enquiry, the Commission for Conciliation, Mediation and Arbitration ("CCMA") and at various disciplinary hearings. I am trained in auditing techniques and hold a Bachelor of Commerce degree and Post Graduate Diploma in Accountancy from the former University of Natal Durban. I was also admitted as a member of the South African Institute of Chartered Accountants in 1992. I am a Certified Fraud Examiner, being admitted as a full member of the Association of the Certified Fraud Examiners, a Texas based organisation, in 1998. I have been involved in a number of business valuations and performance audits. My specialist field is Forensic Auditing and as such I have extensive experience in analysing,

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reviewing and verifying financial information and accounting records. I have also chaired three investigative Commissions of Enquiry into Fraud and Corruption in Swaziland.

**B. . MANDATE AND ISSUES TO BE INVESTIGATED**

**4.000 Appointment**

4.001 The terms of our appointment are detailed in our agreement which was signed by Dr YL Mbele (**Dr Mbele**), Acting Head of Department, the KwaZulu- Natal Department of Health (**the Department**), on 20 May 2009. Our mandate was further extended as detailed in our agreement which was signed by Mr N. Biyela (**Biyela**), Chief Financial Officer, of the said Department on 9 February 2010.

4.002 The following represents the General Procedures performed:

1. Requested and received Basic Accounting System (BAS) reports for Intaka who received orders for the supply of Water Purification Systems and Oxyntaka Plants and were paid by the Department.
2. Obtained supporting payment vouchers.
3. In respect of the tender and/or other procurement procedures followed and where applicable obtained:
  - the bid specification document; the bid document; compulsory briefing/ site meeting documents; all tenders submitted; minutes of the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee; and any objections raised;
  - Request for quotations, copies of quotations, minutes of Committee meetings referred to above and letter of award.
4. Interviewed the following officials and obtained affidavits where necessary:

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chairman and members of the bid specification, evaluation and adjudication committees; Head/ Manager of Infrastructure Development; Head Legal Services; Manager Supply Chain Management; the HOD's secretary; the former CFO; Doctors/ Anaesthetist's who had objections to the self- generating oxygen; and Hospital Managers.

5. Determined whether any person involved in the procurement process irregularly manipulated the specifications to favour Intaka
6. Visited and/or requested additional documentation and information from hospitals where the water purification systems and Oxyntaka plants had been commissioned.
7. Interviewed third parties who objected to the tender process and obtain affidavits and supporting documents where necessary and applicable
8. Analysed and compared the Bid Specification document in respect of the Oxyntaka plants to the Agreement entered into between the Department and Intaka.
9. Calculated the difference in the price as envisaged and detailed in the Bid Specification document and Intaka's subsequent proposal, to their invoices submitted to the Department for payment and for which Intaka received payment.
10. Accompanied the SAPS investigating officer to Cape Town and reviewed the 156 lever arch files of documents seized from Intaka.
11. Reviewed the electronic data copied by the SAPS from computers seized from Intaka.
12. Examined bank accounts subpoenaed by the SAPS.
13. Assisted the SAPS investigating officer with interviewing any official or any

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person related to any official from the Department of Health, or any other third party that may have been involved in any irregular conduct or who received any irregular payments, including suppliers who submitted quotations and bids.

- 4.003 I am not required to and did not undertake an audit in terms of the International Standards on Auditing. The scope of my work was limited to a review of the documentary evidence made available to me and enquiries undertaken to address issues identified in the execution of the investigation undertaken. I have not verified the authenticity or validity of the records and documents provided to me, unless otherwise stated.
- 4.004 This report has been prepared solely for use in the criminal matter registered with SAPS by the Department. It may also with the prior written consent of the Director of Public Prosecutions be used in any civil or disciplinary proceedings that the Department may wish to initiate. It may not be suitable for any other purpose and it should not be used, reproduced or circulated for any other purpose without my prior written consent. It should be a condition of such consent, if given, that PricewaterhouseCoopers and myself accept no responsibility to that third party and that such third party will hold PricewaterhouseCoopers and myself harmless in respect of any consequences of such disclosure. Whether or not I have given consent, PricewaterhouseCoopers and myself will not accept liability or responsibility to any other party who may gain access to this report.
- 4.005 I have included information relevant to the investigation and related circumstances but cannot conclude on the completeness of such information as the possibility exists that not all-relevant information and documentation was made available to me. Any documentation or information brought to my attention subsequent to the date of this report, which will affect the findings detailed herein, will require my findings to be adjusted and qualified accordingly.
- 4.006 This report contains hearsay evidence based on interviews conducted with individuals. I deem the aforementioned evidence to be appropriate to sketch the full picture of the allegations raised.

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**5.000 Background**

- 5.001 The Department received a complaint from the Public Service Commission (PSC) Call Centre regarding allegations of tender and procurement irregularities for which undue payments are allegedly made and other financial irregularities by Mr ASS Buthelezi, Chief Financial Officer (the CFO/ Buthelezi) of the Department. The Department requested PricewaterhouseCoopers (PwC) to conduct a forensic investigation into all such allegations of tender and procurement irregularities, any allegations of undue payment and other related financial irregularities which may have been allegedly committed by the CFO for the period of his employment at the Department.
- 5.002 During the course of this investigation we received information and it was alleged that Intaka Investments (Pty) Ltd (Intaka) had received an order for the supply of water purification systems to the Department and that a corrupt payment was made to an official. We investigated this matter relying solely on the documentation in possession of the Department and interviews and information obtained from officials of the Department. At this stage we were informed that Intaka was the subject of a criminal investigation and when we attempted to interview an employee of Intaka we were advised by their Legal Advisor that we were required to address all correspondence through him. Hence, we did not have access to Intaka's records or their employees who may have been involved in the provision of the water purification systems (plants). We were subsequently informed that the SAPS had conducted a search of Intaka's premises and had seized documentation. We initially did not have access to these records.
- 5.003 Following the said investigation we issued our report dated 30 November 2009, that included the investigation and findings at that date in respect of the supply of water purification systems to the Department by Intaka.
- 5.004 We were thereafter on 9 February 2010 mandated to extend our forensic investigation into the awarding of a contract for Oxyntaka self- generating oxygen plants to Intaka and to assist the SAPS with the review of the documents and

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computers seized from Intaka.

**6.000 Issues addressed in my investigation**

6.001 This report focuses on the tender awarded to Intaka for the supply of Oxyntaka plants for 52 hospitals within the Province.

6.002 The report further summarises the Procurement Procedures followed during the awarding of the order and tender in question, where these have been contravened and/or circumvented and where collusion has been taken place between Departmental Officials, suppliers and other third parties.

**C. BASIS OF INVESTIGATION**

**7.000 Execution of fieldwork and gathering of information**

7.001 Members of my staff have assisted me in the execution of fieldwork and gathering of information necessary to compile this report, however, where an opinion is expressed in this report it is my own opinion.

**8.000 Sources documents**

8.001 The information dealt with in this report was obtained from the sources listed below:

- i) Supporting tender and procurement documentation handed to us by the Department.
- ii) Kreditinform Enquiries.
- iii) BAS reports.
- iv) Persal reports.
- v) Department of Health, Interim Supply Chain Management Delegations, February 2006.
- vi) KwaZulu- Natal Provincial Treasury Practice Notes.
- vii) Interviews conducted with Management and staff at the Department.

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- viii) Information received from third parties.
- ix) Interviews conducted with third parties.
- x) Documents seized by the SAPS from Intaka.
- xi) Bank records subpoenaed by the SAPS.

**D. DETAILED PROCEDURES AND FINDINGS**

- 9.000 The detailed procedures and my key findings are addressed below, for the tender in respect of Oxyntaka Plants for fifty two (52) x hospitals by the Department from Intaka.

**Procurement Policy and Procedures**

- 9.001 I deem it necessary to provide a brief description of the prescribed procurement and payment procedures within the Department before proceeding further.

**KwaZulu- Natal Provincial Treasury: Delegations Framework: Practice Note  
 Number : SCM- 02 of 2006 dated 9 February 2006**

**A1**

- 9.002 I wish to briefly refer to this practice note and specifically the formation of the Bid Specification Committee, Bid Evaluation Committee and Bid Award Committee.

- 9.003 1. Delegation Policy:

- 1.1. *With due consideration of predetermined financial limits, the general standing powers are delegated in order to expedite the process to procure goods and services, the acquisition or disposal of movable and immovable property and granting of rights. These powers, as set out herein, are delegated to bid committees and departmental officials in accordance with Treasury Regulations 16A promulgated in terms of the Public Finance Management Act, 1999.*
- 1.2. *These powers are granted subject to the provisions of any other Act of Parliament, as amended from time to time. Amendments may therefore not*

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*be acquired in terms of these delegated powers.*

- 1.3. *Delegated powers contained herein must be applied strictly in accordance with the preference points system for a decision or finalisation.*
- 1.4. *Where any doubt exists with regard to the interpretation or application of any power or condition, the Accounting Officer must be approached through the normal service channels for a decision or finalisation.*
- 1.5. *The delegations set out below serve as a guideline to assist departments in compiling their own departmental delegations. In the interest of efficient and effective acquisitioning, departments are to formally issue their own set of delegations.*

9.004 *Bid Committee refers to provincial department's bid specification, bid evaluation and bid adjudication committees as defined below.*

- i) *Bid Specification Committee: The bid specification committee is responsible for the compilation of bid specifications. The specification committee may be comprised of officials of a department (i.e. the procurement section of the department requiring the goods and services), one or more suitably qualified specialist officials, or an external consultant under the direction of the official or component concerned. No minimum or maximum number of members is recommended.*
- ii) *Bid Evaluation Committee: The bid evaluation is responsible for the evaluation of bids received. The bid evaluation committee should be cross-functional and should be comprised of supply chain practitioners and suitably skilled officials from other relevant disciplines. The evaluation committee should consist of a minimum of five members.*
- iii) *Bid Adjudication Committee: The committee should consider the reports and recommendations made by the bid evaluation committee. The adjudication committee must consider whether the recommendation made by an evaluation committee sufficiently indicates that all relevant factors have been taken into account, and that the recommendation made represents a logical, justifiable conclusion, based on all relevant information at the evaluation committee's disposal. The adjudication committee should be cross- functional,*

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*in order to ensure that collectively, the committee members possess sufficient expertise to ensure sound adjudication of each bid it has to consider. It is recommended that committee members be representative of appropriate operational disciplines within a department, and that members be appointed for a period of three consecutive years. At least one member should be a supply chain practitioner. The committee should be comprised of at least four members, at appropriately senior level. The chairperson of the committee should be the chief financial officer of the institution or his/her delegate.*

005 **Abbreviations:**

BSC: Bid Specification Committee.

BEC: Bid Evaluation Committee.

BAC: Bid Adjudication Committee.

HOD: Head of Department.

**Treasury Regulation 16A Supply Chain Management**

- 9.006 I wish to briefly refer to this document as it preceded the previous document A2  
 "KwaZulu- Natal Provincial Treasury: Delegations Framework: Practice Note Number: SCM- 02 of 2006 dated 9 February 2006" that was issued in consequence of Treasury Regulation 16A Supply Chain Management.
- 9.007 "Institution" is defined as a department, constitutional institution or public entity listed in Schedule 3A and 3C of the Act.
- 9.008 This framework applies to all:
- a) Departments;
  - b) Constitutional institutions; and
  - c) Public entities listed in Schedules 3A and 3C of the Act
- 9.010 The accounting officer or accounting authority of an institution to which these regulations apply must develop and implement an effective and efficient supply chain ~

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*management system in his or her institution for:*

- a) *The acquisition of goods and services; and*
- b) *The disposal and letting of state assets, including the disposal of goods no longer required.*

9.011 *The accounting officer or accounting authority must establish a separate supply chain management unit within the office of that institution's chief financial officer, to implement the institution's supply chain management system.*

9.012 Regulation 16A8 **"Compliance with ethical standards:** *All officials and other role players in a supply chain management system must comply with the highest ethical standards in order to promote:*

- a) *Mutual trust and respect; and*
- b) *An environment where business can be conducted with integrity and in a fair and reasonable manner".*

The remainder of the said regulation 16A8 is self-explanatory.

**Department of Health, Province of KwaZulu- Natal, Interim Supply Chain Management Delegations, dated February 2006**

**A3**

9.013 Detailed below is a summary of applicable and relevant sections of the Department of Health, Province of KwaZulu- Natal, Interim Supply Chain Management Delegations (SCM Delegations), dated February 2006, as it relates to this investigation.

9.014 *The Public Finance Management Act, 1999 (PFMA), Act 1 of 1999 as amended by Act 29 of 1999, was approved by National Parliament, "to regulate financial management in the National Government and Provincial Governments, to ensure all revenue, expenditure, assets and liabilities of those Governments are managed efficiently and effectively and to provide for the responsibilities of persons entrusted with financial management in those Governments".*

**A3/4**

9.015 *In terms of Section 76(4)(c) of the Act "the National Treasury may make regulations*

**A3/4**

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*or issue instructions applicable to all institutions to which this Act applies, concerning the determining of a framework for an appropriate supply chain management system which is fair, equitable, transparent, competitive and cost-effective". However, according to section 38(1)(a)(iii) of the Act it is the responsibility of the "accounting officer/ authority of a department, trading entity or constitutional institution to have and maintain an appropriate procurement and supply system which is fair, equitable, transparent, competitive and cost effective".*

- 9.016 *Where applicable, Provincial Treasury must set complementary standards within the parameters as set by National Government. These standards may not jeopardise national objectives. A provincial treasury must also submit to the National Treasury such SCM information as National Treasury may require.* **A3/4**
- 9.017 *Within this context, Provincial Treasury issued this practice note to provide guidance and support to Provincial departments in the implementation of supply chain management* **A3/4**
- 9.018 *The implementation of Supply Chain Management from 1 February 2006 brings about fundamental changes in the procurement process in government. The objective of this is to create a more efficient and effective system of procurement, and to vest full procurement authority and accountability in the Accounting Officer of the Department. To this end, various levels of authority have been clearly distinguished in this document to ensure a clear understanding and to facilitate decision making by the Accounting Officer.* **A3/4**
- 9.019 *With due consideration of predetermined financial limits, the general standing powers are delegated in order to expedite the process to procure goods and services, the acquisition or disposal of moveable and immovable property and the granting of rights. These powers, as set out herein, are delegated to bid committees and departmental officials in accordance with the Regulations in terms of the Public Finance Management Act, 1999: Framework for Supply Chain Management (SCM).* **A3/4**
- 9.020 *A Bid is defined as: "a written or verbal offer which may be in a prescribed or* **A3/5**
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*stipulated form, in response to an invitation by a department or Parliament for the provision of goods or services, based on the delegated limits for bids".*

- 9.021 A Quotation is defined as: "a written offer, by a supplier which is not necessarily subject to the general conditions and procedures contained in the KZN SCM Standard Bid Document and which is invited and dealt with in a manner appropriate to the particular circumstances, but in adherence to the primary objectives contemplated in the SCM Policy Framework". A3/5
- 9.022 For purposes of this report I wish to refer to level 3 delegations only of the SCM Delegations for the Department.
- 9.023 Level Three exceeding R200,000.01 Head Office: Directorate SCM Unit, Procurement of Goods and Services, Conditions/Control Measures applicable to level three contracts A3/13
1. For values exceeding R200,000.01 per case, bids are invited for the procurement of supplies or services, the hiring or letting of property, the acquisition or granting of any right by the Head-Office Supply Chain Management Unit.
  2. Particulars of the requirement must be advertised in the Provincial Gazette and/or local newspapers. Bids close at the address indicated in the document.
  3. Consideration and acceptance of bids will at all times be in accordance with the policy and directives of the SCM Unit and must be strictly adhered to.
  4. Bids submitted after the relevant closing date and time in respect of bid invitations will not be accepted.
  5. Bids will only be called for, based on a requisition approved within the applicable financial delegation and in line with the strategic plan.
  6. The stipulated monetary limit per consolidated requirement must be taken into account before bids are invited.
  7. When it is not feasible to follow the standard procurement procedure for every individual requirement, contracts may be arranged for the supply over a period that may not exceed three years (to promote competition), provided that it is proven to be cost- effective, competitive and fair to arrange a period contract.

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8. The period must however not be shortened in order to bring the requirement with the delegated financial limit. A requirement that exists for different branches of the Department must be combined as a case.
  9. Bid conditions not previously used must also be submitted to the Department's Legal Services and Department of Health Bid Award Committee beforehand, for consideration and recommendation.
  10. Bids must be invited in writing. Space must be provided for the insertion, where applicable, of the price, delivery basis, delivery period and percentage bid price preference for local content.
  11. The closing time and date, the validity period and the address to which the bids must be sent, must be clearly indicated in the invitation.
  12. Notices of bid invitations must be forwarded to the relevant local Contractors Organisations when building and related bids are invited.
  13. The given closing date and time must be strictly observed. Where extension of the closing date is requested and considered appropriate, there must be sufficient time to give written notice to all prospective bidders.
  14. In the case of an advertised bid invitation, the bid closing date may be postponed only if the postponed date can be advertised in the Provincial Government Gazette and relevant local newspapers.
  15. Bids must be opened in public as soon as possible after the closing time, but not later than the close of business on the closing date, and the names of the bidders must be read out, including the bid process, except where the number of items or the complexity of the bid make it impractical.
  16. Where only one offer is received, it may be accepted; provided it complies with the specification and that the prices are proved to be and are certified as fair and reasonable. Proof of reasonableness must be determined in the following sequence:
    - 16.1 Industry must be reviewed and only market related prices must be used as a benchmark;
    - 16.2 Comparison with prices, after discounts, to his other normal clients and the relative discount that the Province enjoys;
    - 16.3 In all cases, comparison with previous bid prices where these are available.
  17. Proof of reasonableness of prices where only one bid is received, must be
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available for audit purposes.

18. Bids must be duly scheduled and brought to a comparative basis and submitted (by the Bid Evaluation Committee) together with a motivated recommendation to the Bid Award Committee for consideration.
19. The Act makes specific provision for written reasons to be supplied to bidders, by the Department of Health Bid Adjudication Committee, or delegates, for non-acceptance of their offers. It is thus essential that decisions are taken and recorded in such a way that this requirement is complied with.
20. Bids must be accepted, before expiry of validity, by means of a letter of acceptance. If this is not possible, extension of validity must be requested timeously from the relevant bidders. If a bid cannot be finalised within the validity period, the letter of acceptance or order must be held in abeyance until such time as the extension is confirmed in writing.
21. Internal Bid Committees, in all their proceedings, must comply with the directives and procedures issued by the Directorate SCM Unit. Minutes must be taken of all the decisions of the Bid Adjudication Committees and the signature of the Chairperson of the Committee must confirm these minutes. The resolutions of the Bid Adjudication Committee with regard to bids with a value greater than R500,000 per case will only be valid if validated by the Head of Department
22. Where further documentation is signed by all parties concerned as an agreement in addition to the letter of acceptance, it is defined as a formal contract. Formal contracts are concluded only where this is stated as a requirement in the bid document.
23. The written acceptance of an offer constitutes a legal and binding contract if no appeals are lodged. This may be by letter or the placing of an order.
24. The Department's Chief Directorate Legal Services approval of the draft formal contract is required prior to the signing thereof.
25. Contracts must be awarded to suppliers registered on the Provincial Suppliers Database and with SARS valid original tax Clearance Certificate.
26. All reporting requirements must be complied with.
27. The award of the contract must be advertised in the Provincial Gazette and/or local newspapers.
28. The levels referred to hereunder apply to the occupational class Supply Chain

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Management or equivalent posts.

**THE AWARDING OF A CONTRACT FOR OXYNTAKA SELF- GENERATING  
OXYGEN PLANTS**

- 9.024 It was alleged that Intaka had received an order for the supply of Oxyntaka self-generating oxygen plants (Oxyntaka plants) for 52 hospitals within the Province of KZN from the Department. It was further alleged that there were a number of irregularities that were identified in the tender process; certain medical doctors and anaesthetists raised issues of concern with regard to Intaka's product and safety issues with Dr Nyembezi and thereafter Dr Mbele, but they were ignored; legal services were not satisfied with the Agreement that Intaka had compiled, but the signing thereof was fast tracked prior to issues being resolved; and Intaka subsequently did not provide the product as detailed in the tender bid specification document, including not being ISO 10083 compliant and not providing a back-up system as required in terms of the bid specification document.
- 9.025 During the course of investigating the purchase of the 2 water purification plants; the findings of which are detailed in a separate report, a number of health officials had files and documents relating to the Oxyntaka plants and it was evident that they had concerns with the tender, the subsequent award to Intaka and what had transpired in the interim.
- 9.026 We requested a list of all payments made to Intaka from BAS and identified those made in respect of the supply of Oxyntaka self- generating oxygen Agreement. I determined that as at 31 December 2009 payments amounting to R7,233,427.45 had been made to Intaka from the date the first plant was commissioned. H1-H24

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**Background into the contract awarded to Intaka for Oxyntaka plants by the  
KZN Department of Health**

9.027 The following was determined by me during the course of investigating the purchase of the 2 water purification plants from Intaka by the KZN Department of Health, that is relevant to the investigation of the Oxyntaka plants and requires repeating in this report:

**1) Intaka Investments (Pty) Ltd**

9.028 We conducted a Kredinform enquiry and determined that registration number 2003/021018/07 belongs to Intaka Holdings (Pty) Ltd. The said entity was previously known as Intaka Tech (Pty) Ltd and was first registered on 28/08/2003. The holding company is recorded as "Savoi Family Trust". The Active Principals are Dr G Savoi id 521226 0000 000 appointed on 28/08/2003 and Mr R Savoi id 810212 5000 000 appointed on 21/11/2007. In terms of the footer of the quotation the other 2 directors as at 2 October 2006 were Fernando Praderi and Clement Morris. In terms of the Kredinform Report these 2 persons resigned as Directors, however the date of resignation is not reflected. It would appear that the entity with registration number 2003/021018/07 was known as Intaka Investments (Pty) Ltd at the date of the quotation and subsequent thereto changed its name to Intaka Tech (Pty) Ltd and then Intaka Holdings (Pty) Ltd. Intaka Investments was registered on the Provincial Suppliers Data Base on 14 September 2005.

**2) Interview with Gerhardus van Der Merwe**

9.029 We conducted an interview with Gerhardus (van Der Merwe) who was previously employed as Manager of the Infrastructure Development component and who was one of 3 senior managers, who were instructed by Dr Nyembezi to attend a meeting at the offices of Savoi during August 2006. We obtained his affidavit in respect of the water purification plants. The said affidavit included details of his visit to Somerset Hospital and Intaka in the Western Cape where he met Savoi. I will not repeat the contents of the said affidavit.

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**3) Interview conducted with Ms Prasheeka Padayachee**

9.030 We conducted an interview with Ms Prasheeka Padayachee (Prash Padayachee), one of 3 senior managers, who were instructed by Dr Nyembezi to attend a meeting at the offices of Savoi during August 2006. She was at the time employed as the General Manager: Corporate Governance, and Inter- Governmental Relations (IGR) Inter- Sectoral Collaboration (ISC), a position she still occupies. We obtained an affidavit from her that also includes the investigation into another supplier. Detailed below is the section of her affidavit dealing with Intaka:

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*"On 3 August 2007 I was part of a delegation of three Senior Managers: comprising myself, Mr VRM Ntshangase and Mr GC van der Merwe, Manager Infrastructure; who undertook a visit to the Western Cape, on the instruction of the HOD. The purpose of the visit was to further explore the "Oxyntaka self- generating oxygen plant" and visit the offices of Dr G Savoi, the CEO of Oxyntaka (at the time I understood the name of the company to be Oxyntaka). Prior to visiting Dr Savoi, the delegation was taken to Somerset Hospital, to view their Oxygen Plant which was procured from Oxyntaka. During the course of visiting Dr Savoi he also informed us of another product of his company, being the "Wataka Water Purification Plant or System". Upon return to office I compiled a report detailing the delegations visit to Somerset Hospital and "Oxyntaka". The report included a brief discussion on the Wataka Water Purification Plant".*

*"I also undertook a prior visit to the Department of Health Northern Cape on 27 July 2006 and visited 2 hospitals in the said province being Manne Dipco Hospital and Kimberley Hospital. Both of these hospitals have the Oxyntaka Oxygen Plant (and not the Water Purification Plant). For ease of reference I attach the report I compiled for the said visit upon return to office".*

*"This was my only contact with Dr Savoi and Oxyntaka (I now understand the company is called Intaka) and the Water Purification Systems. I was not thereafter involved in the procurement process of appointing Intaka to provide the Water Purification Systems to Rietvlei and Appelsbosch Hospitals, and have no knowledge*

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thereof".

**Affidavit of Gaston Savoi**

9.031 Following the issuing of our report dated 30 November 2009 and the extension of our appointment by the Department on 9 February 2010, I was handed a copy of an affidavit of Gaston Savoi (Savoi) by the SAPS. The said affidavit purports to have been signed by Savoi on 14 July 2008. I will refer to this affidavit and particularly that part relevant to the tender for the Oxyntaka self- generating oxygen plants, later in this report. Detailed below are extracts of the affidavit as it relates to the background into his and Intaka's introduction to Provincial Governments:

E1

- 1) In paragraph 10 and 11 he details the background into how he was introduced to the KZN Provincial Government (KZNPG) by Mr Rafiq Bagus, Special Advisor to the Minister of Trade and Industry. He states that he made contact with relevant persons at the KZNPG and made various presentations to them. In paragraph 12 he states: *"from information provided to Intaka by TIKZN and KZNPG and from information that my company obtained independently, I became aware that KZN was facing- as it continues to do- formidable challenges in relation to the provision of potable drinking water".*
- 2) In paragraph 15 and 16 he refers to a fact-finding visit to South America for a delegation from KZN that included self- generating oxygen plants and whether they might indeed prove useful in KZN, "at Intaka's cost". There is no reference to a consultant or "middle-man". Hence, Intaka was funding the delegation and was dealing directly with KZNPG officials. Savoi added: *"the discussions and actions thus far were entirely in accordance with my experience of international business".*
- 3) In paragraph 17 he refers to the return to South Africa and that *"the KZNPG indicated that it was interested in pursuing both the issue of self- generating oxygen equipment as also the water purification plants, the key persons in the process of further discussions being Mr Shabalala and Professor Green*

References in the margin refer to  
 appendix numbers

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*Thompson*". Hence, Professor Green- Thompson, the HOD, KZN Department of Health at the time was interested in the self- generating oxygen plants and Intaka was dealing directly with him.

- 4) In paragraph 18 he refers to a pilot project at Murchison Hospital including on-site oxygen and a medicinal air generating plant, and the delays in pursuing same.

**Subsequent background information**

032 During the course of initially requesting all relevant procurement and payment documentation, we determined that Intaka had commissioned an Oxyntaka plant as a pilot project at Murchison Hospital and thereafter an Oxyntaka plant at Rietvlei hospital (at the same time the water purification plant was commissioned at Rietvlei hospital in terms of emergency delegations), prior to the awarding of the contract for 52 hospitals for Oxyntaka plants. Savoi has referred to the Murchison Hospital pilot project in paragraph 18 of his affidavit, however he has not mentioned the Rietvlei Oxyntaka plant at all. I believe it is necessary to briefly refer to the awarding of the orders to Intaka for the Murchison Hospital pilot project and the Rietvlei Oxyntaka plant, however we have not performed a detailed investigation into these 2 matters.

E1/5

**Murchison Hospital**

9.033 We were not provided with any documentation from the Department setting out the procurement procedure followed in the awarding of the said order to Intaka. I determined based on BAS records that payments amounting to R1,717,717.80 were made to Intaka for Murchison Hospital commencing 4 October 2005 to 15 December 2009. We are not in possession of all payment vouchers or the Agreement entered into with Intaka. Based on available payment vouchers and paid invoices the Department paid for a fixed amount of 3,000kg's of oxygen per month, recorded as "one months rental" on the Intaka invoice. Hence, this would suggest that the Department was not paying for the "actual" amount of oxygen consumed by Murchison Hospital. For ease of reference I attach a copy of one payment voucher and supporting document only. We were not requested or mandated to investigate

11/1

11/2-6

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the "contract" awarded to Intaka for Murchison Hospital. However, I wish to refer to documentation where Intaka and/or Savoi first introduced themselves to the Department when Professor Green- Thompson was the HOD and the fact that Sipho Shabalala was copied on this correspondence. The documents themselves are self-explanatory and do not require further explanation. They cover the period 29 March 2004 to 19 September 2005. These documents were located in the file maintained by the Office of the HOD by Samantha Cheatle.

9.034	I identified the attached e-mails from Intaka's electronic records seized by the SAPS that reflect Shabalala's involvement in the approval of the draft contract and his relationship with Savoi whom he addresses as "Hi Amigo" in the e-mail titled "Invoices- Murchison Hospital" although the content thereof has no bearing on the title of the e-mail. In a further e-mail from Savoi to " <i>Busi Nyembezi- personal</i> " dated 3 August 2006 Savoi states " <i>Just for your historical Westwood file</i> ". Westwood is a Departmental Official that worked under Dr Nyembezi; it is thus apparent that the e-mail in question is not appropriate and that Savoi and Dr Nyembezi knew each other to the extent that he could communicate to her in this manner about one of her officials. This is further supported by an earlier e-mail from Dr Nyembezi to Savoi dated 31 July 2006, titled " <i>self generating O2 District Hospitals</i> ": " <i>Amigo, here is a list of different hospitals. Please do quotes for District and Regional Hospitals separately, muchas gracias</i> ". Significantly, in addition she has attached a list and has asked for quotes, as opposed to going out to a formal tender. Also on 3 August 2006 another "personal" e-mail titled " <i>today's menu</i> " but attached is Oxyntaka price lists including Afrox prices. A further "personal" reply from Savoi dated 8 August 2006 commences " <i>let's play rock and roll</i> ", but refers to oxygen requirements at various hospitals. This will be discussed in more detail later in this report.	11/12-13  11/14  11/15-16  11/17-18  11/19-25
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**Rietvlei Hospital**

9.035 We determined that Mr Robin Westwood, Deputy Manager: Engineering Advisory Services, Infrastructure Development and the subordinate of van Der Merwe at the time, was requested to prepare a bid specification document for Rietvlei hospital by van Der Merwe. He was allegedly not involved in the pilot project at Murchison and this happened during the time Professor Green- Thompson was the HOD.

9.036 He received a document that had previously been used by the Western Cape, Department of Health and changed it so that it was relevant to Rietvlei and KZN Department of Health. Once he completed and made the necessary changes he sent it to van Der Merwe via e-mail, who in turn forwarded it to Dr Nyembezi, who he understood had requested same. A copy of the document prepared by Westwood and handed to us by him is attached hereto for ease of reference. I will again refer to this document in more detail when discussing the contract awarded to Intaka and documents seized by the SAPS at Intaka.

J1

9.037 However, I wish to refer to paragraph 8 dealing with Payments as I will refer to this again when dealing with the 52 Oxyntaka plant bid specification document and agreement:

J1/31

*8.1 On each anniversary of the contract the monthly instalment shall be increased by the Consumer Price Index as published prior to the year expired;*

*8.2 All payments shall be made to the contractor, monthly in arrears based on the amount of kilograms consumed;*

*8.3 The contractor shall submit to the hospital an invoice on the day following the last day of the month of usage, which shall stipulate the actual quantity of oxygen used. Payment shall be made by the Hospital within twenty- five (25) days of presentation of the invoice.*

Note: The contractor would be paid based on actual amount of kilograms consumed.

9.038 The said tender bid specification document was sent by van Der Merwe to Dr

J2/1

*M*



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Nyembezi on 15 August 2006 and a request was made that the matter be declared an Urgent case and that Delegation 701 be applied for. This was the same delegation used for the procurement of the 2 water purification plants for Rietvlei and Appelsbosch hospitals. It was approved by Dr Nyembezi on 16 August 2006. We identified an e-mail in the Intaka electronic data seized by the SAPS from Dr Nyembezi's personal e-mail address to Savoi dated 15 August 2006; the attachment is "manufacture & delivery of bulk med. oxygen Rietvlei2. doc". The content is "please check paragraph 9" and ends "ciao". I have attached the front page of the attachment and page 32 of the said attachment for ease of reference. It is evident that Intaka had input into the Specification document for Rietvlei Hospital. A further "personal" e-mail from Savoi to Dr Nyembezi dated 10 August 2006 reads as follows:

J2/2-4

*"Dear amiga Busi,*

*Retelecon of today, the 3 strong points to keep as close tender are:*

- *Local production in the country (South Africa) and maintenance.*
- *Proudly South African.*
- *Pilots full of success on the supply of medical oxygen and medical air after 1 and a half years (18 months).*
- *Please comment.*
- *Hasta la vista*
- *Abrazos".*

J2/5

.039

It appears that changes were made to the specifications by van Der Merwe at the request of Dr Nyembezi, in terms of an e-mail sent to Malcolm Peters (SCM) by van Der Merwe on 18 August 2006 at 09:42 am, and a fax between Andile Zondo (SCM and Malcolm Peters' superior at the time) and Dr Nyembezi on the same day at 13:20. We were not provided with the revised document by the Department and van Der Merwe has since retired from the Department

J3/3

J3/1

9.040

On 22 August 2006 Dr Nyembezi approved a request from Andile Zondo, supported by Ntshangase and recommended by Buthelezi, that an Oxygen generating plant be procured for Rietvlei in terms of Delegation 701. The said approval also states that offers will be invited from all known suppliers that are listed on the Provincial

J4

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**Suppliers Database.**

- 9.041 We are not in possession of all relevant documents, however it appears from that available to us, that Afrox, Insmmed and Intaka Investments were requested to bid and/or provided a bid. Further, Afrox addressed a letter dated 29 August 2006 to the Department expressing their concerns with the Department's intention to providing on-site manufacturing and supply of bulk medical oxygen and medical air at Rietvlei Hospital. Of significance was that Afrox had received verbal indications from the Medicine Control Council (MCC) that on-site units such as described in the bid documents do not comply with the full spectrum of MCC registration, and further it would thus be against legislated regulations to include such method of supply as part of the current range on offer. I have not investigated the Afrox concerns and have no further documents that deal with the matter. J5
- 9.042 On 29 November 2006 Dr Nyembezi advised Dr Sewlal that the "tender" had been awarded to Intaka Investments (Pty) Ltd, and that authority had been granted to incur expenditure in terms of Delegation 0201 to the value of R16.50 per kilogram of gas including VAT and to be escalated as per paragraph 6.1.3 of the Agreement. J6
- 9.043 On 30 November 2006 Intaka were advised in writing that the tender had been awarded to them as detailed in the letter referred to above and that they were provided with order number N0734189 J7
- 9.044 However, a copy of an Agreement that appears to have been signed by Dr Nyembezi, based on the signature similar to that appearing on the letter dated 29 November 2006, was signed on 17 November 2006. The Agreement was signed by Intaka on 24 November 2006 (these dates are prior to Dr Nyembezi informing Dr Sewlal that the tender had been awarded to Intaka and prior to Intaka being informed in writing that they had been awarded the contract and provided with an order number). In terms of paragraph 6.1.2 the rental amount is determined based on the actual usage of the Lessee (Department) as measured on a monthly basis by the flow meter installed on the equipment. Further, in terms of schedule "B" to the Agreement the rental amount is R16.50 per kilogram of gas including VAT. J8  
J6  
J8/17  
J8/6  
J8/6  
J8/19

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- 9.045 On 16 July 2007 Intaka sent an e-mail to Natasha Pillay (of Infrastructure Development) advising that an amount of R148,500 was due to Intaka for oxygen consumption for the period January to June 2007, comprising six invoices in the amount of R24,750 per invoice. The said invoices were subsequently sent to Rietvlei by Lindie Xulu on 19 July 2007. Of significance is that each of the invoices were for an identical amount of oxygen being consumed being 1,500 kg per month, that is highly unlikely and most improbable. J9 J10
- 9.046 The said invoices were queried by Mr R Burn with Rietvlei Hospital on 15 August 2007 that is self- explanatory. It was similarly queried with Intaka on the same day. J11/1 J11/2
- 9.047 The Hospital Manager Rietvlei replied to Mr Burns query on 30 August 2007. Intaka responded on 18 September 2007 to Mr Burn. They conceded that an error had been made and that the total consumption for the period 5 January 2007 to 15 August 2007 was 4086kg. The amount payable to the Department was thus R67,419 (4086kg x R16.50 per kg). Following the Department requesting a corrected invoice, "Intaka Tech (Pty) Ltd" issued a credit note and corrected invoice amount. Note that the Department also queried the name change from Intaka Investments (Pty) Ltd to Intakatech. A payment in the amount of R67,419 was subsequently prepared in favour of Intakatech on 31 October 2007. Intaka further provided a Certificate of change of name of company effective 23 May 2007. J11/3 J11/4-8 J11/9 J11-10-11 J11/12 J11/13
- 9.048 On 5 December 2007 a Parliamentary question was asked by Mr J Krog (DA) of the MEC for Health. These questions are relevant and self- explanatory. Attached thereto is the Department's reply. The response is brief and lacks detail. In addition no mention is made of the Tender awarded to Intaka on 26 June 2007 for the 52 hospitals in question and the Department has further replied that they are not in a position to answer question 12 and 13. I believe Dr Mbele and the Department avoided answering these questions as opposed to not being in a position to answer them. If no private hospitals in South Africa used the self- generating oxygen units it would raise questions as to their suitability both from a safety and economic point of view. In addition the Department could not have refuted the concerns of private Surgeons and Anaesthetists, by referring to their own Anaesthetists, as the latter had J11/14-17-
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raised their concerns to the Department that will be discussed later in this report. This occurred on 13 July 2007 to Dr Nyembezi (HOD at the time) and again on 20 October 2007 to Dr Mbele (HOD at the time). Dr Mbele deliberately withheld this information and her response to the Parliamentary question. It will become evident hereunder that the signing of the Agreement with Intaka was speeded-up and became a matter of urgency, following the Parliamentary question.

- 9.049 I determined based on BAS records that payments amounting to R535,449.21 were made to Intaka for Rietvlei Hospital commencing 12 November 2007 to 31 December 2009. It was evident as discussed above, that the Department paid for the "actual" amount of oxygen consumed by Rietvlei Hospital and not a monthly minimum rental based on a fixed amount of oxygen, as was the case with Murchison. We were not requested or mandated to investigate the "contract" awarded to Intaka for Rietvlei Hospital Oxyntaka, although it is evident this was done in terms of "emergency delegations", similarly used for the water purification system for Rietvlei. J12

**Documents relating to the tender and subsequent contract awarded to Intaka for Oxyntaka plants for 52 hospitals and explanations of officials where necessary**

- 9.050 I have earlier in this report referred to the affidavit of Prash Padayachee and that she stated that three Senior Managers from the Department were instructed by Dr Nyembezi, to attend a meeting at the offices of Dr Savoi, the CEO of Intaka during August 2006. The purpose of the meeting was to view the self-generating oxygen plant known as the Oxyntaka and to attend a presentation on the working of the system. The three Senior Managers were van Der Merwe, Prash Padayachee and Ntshangase. Details of the said meeting are included in the affidavits of Prash Padayachee and van Der Merwe. We have subsequently interviewed van Der Merwe again as his first affidavit dealt primarily with the water purification plants, being our mandate at the time. I will refer to his 2<sup>nd</sup> affidavit later in this report. I wish to point out at this early stage however, that van Der Merwe in his affidavit stated that when he visited Somerset Hospital and viewed the Oxyntaka plant, it appeared that it could be better utilised at smaller institutions and that Afrox cylinders were still being used D1&D9 D1/2-3

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as back-up for the system. He alleged further that Savoi told him that Intaka does not provide oxygen cylinders.

- 9.051 Prash Padayachee also undertook a prior visit to the Department of Health Northern Cape on 27 July 2006 and visited 2 hospitals in the said Province being Manne Dipco Hospital and Kimberley Hospital. Both of these hospitals have the Oxyntaka Oxygen Plant. Prash Padayachee compiled a report for the said visit upon return to office. I wish to point out that Prash Padayachee in her report stated that when she visited Kimberley Hospital it was indicated to her that the said hospital was using Oxygen cylinders from Oxyntaka, although none were physically shown to the delegation i.e. this is contrary to what van Der Merwe subsequently determined at Somerset Hospital. The back- up issue would later become a contentious issue in the main Agreement awarded to Intaka, forming the basis of this investigation. Significantly, Prash Padayachee also included the following under section 3.1 of her report: Lessons Learnt: *"Perhaps the Department would need to explore the value of Oxyntaka more intensely and conduct a cost comparison with the AFROX product and service"*. We were not provided with any documents reflecting this was officially adhered to; a thorough analysis and cost comparison completed; and a decision taken and authorised as the best way forward, both from an Operational and Financial perspective. D9/58  
D1/2-3  
D9/58
- 9.052 I previously referred to the sources of the documents obtained, examined and referred to in this report, for both the water purification plants and Oxyntaka plants.
- 9.053 We received a number of documents from Departmental officials. We compiled a list and reviewed the documents, in order to obtain a clear understanding of the sequence of events in terms of the documents. There are a vast number of documents, however I deem it necessary to refer only to those that appear to be of significance. I will briefly discuss each of the said documents and the relevant content of each. All documents discussed hereunder were obtained from the Departments records unless otherwise stated. The other documents include documents and electronic records seized by the SAPS from Intaka: K1

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- 1) **KwaZulu- Natal Health: Specification for the "On- site manufacture and delivery of bulk medical air and oxygen for clinical use at Provincial Hospitals of the Department of Health, in the KwaZulu- Natal Province"** **K2**

9.054 I determined the said document referred to as the Bid Specification Document was prepared by Westwood around the same time as he prepared a similar document for Rietvlei. He provided us with the copy in question from his hard drive. The footer of both documents reflects the date as "08/2006" (August 2006). As previously stated Westwood informed us that he received a document that had previously been used by the Western Cape, Department of Health and changed it so that it was relevant to KZN Department of Health. Once he completed and made the necessary changes he sent it to van Der Merwe via e-mail, who in turn forwarded it to Dr Nyembezi, who he understood had requested same. We located a copy of an e-mail dated 3 August 2006 from Lucille Welgemoed of the Western Cape Provincial Government sent to Samantha Foulkes, Ntshangase and Dr Nyembezi, copied to Cesar Alexandre, titled "Spec- Manufacture & Delivery Of Bulk Medical Oxygen". Attached is the said document that is relevant to the Western Cape Province, which supports Westwood's explanation that he received the document that had been previously used by the Western Cape Department of Health. The footer reflects the date as 11/2005. The said e-mail and attachment was located in the file maintained by the Office of the HOD by Samantha Foulkes. **K2** **J1** **K2A**

- 2) **E- mail from Dr Nyembezi to van Der Merwe dated 18 August 2006 at 09:01am** **K3**

9.055 I do not have any correspondence reflecting the said document was sent to Nyembezi, however an e-mail from [busisiwen@nwweb.co.za](mailto:busisiwen@nwweb.co.za) dated 18 August 2006 09:01am was sent to van Der Merwe, by Dr Nyembezi according to van Der Merwe's explanation to us (this is Dr Nyembezi's private e-mail address). The body of the e-mail reads as follows: **K3**

*"Hi Gerrie*

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*As discussed the following changes to be made all indicated in red:*

*Page 4 Remove ISO requirement not necessary.*

*Page 8 Professional Certified Engineer instead of Industrial Engineer MCC requirement.*

*Page 19 Need to specify distance where contractor will obtain electrical supply.*

*Thanks Gerrie".*

**3) E-mail from van Der Merwe to Westwood dated 18 August 2006 at 09:19am and Westwood's reply** **K3**

**9.056 Van Der Merwe forwarded the e-mail to Westwood on the same day at 09:19am "for your records".** **K3**

**9.057 Westwood replied to van Der Merwe as follows:** **K3**

*"Hi Gerrie,*

*The changes requested by the Head of Department are respectfully accepted and implemented, however I feel it my duty to comment on the following. For the past four years I have had every confidence that technically these units have a place in some of our hospitals.*

- 1. The ISO requirement was inserted to protect both patients and the Head of Department in the event that the impossible should occur on any of the units.*
- 2. I have no problem with the Professional Certified Engineer and I assume Certified means with the Engineering Council of South Africa.*
- 3. I also have no problem with this but in any event the Contractor has to determine*

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*the electrical loading of his plant and where he can obtain this power from  
Clause 4.8 page 19.*

*Regards*

*Robin".*

- 9.058 I wish to refer again to the Rietvlei bid specification document and the bid specification document for the 52 hospitals, as the contents are almost identical (apart from reference to Rietvlei). J1  
K2
1. On page 4 of both documents the following appears in bold and caps under section 4: J1/4  
K2/4
- "THE/ ALL OXYGEN GENERATING UNITS MUST COMPLY WITH ISO 10083  
OXYGEN CONCENTRATOR SUPPLY SYSTEMS FOR USE WITH MEDICAL GAS  
PIEPLINE SYSTEMS"**
2. On page 8 of both documents the words "Industrial Engineer" appears in the paragraph immediately above paragraph 4.1.1.1.20 "Warranties". J1/8  
K2/8
3. On page 19 of both documents paragraph 4.8.1 is identical: "*The Department of Health will indicate the position where the contractor will obtain the Electrical supply at 400V+- 10% 3 phase plus neutral*". J1/18  
K2/19
- 4) KwaZulu- Natal Health: Specification for the "On- site manufacture and delivery of bulk medical air and oxygen for clinical use at Rietvlei Hospital, situated In the Sisonke District, for the Department of Health Provincial Administration of KwaZulu- Natal" K4
- 9.059 I located a document in the Intaka records seized by the SAPS, that is identical, K4  
(apart from the last section 11 "*Schedule of Information*") to that prepared by J1  
Westwood for Rietvlei Hospital and forwarded by van Der Merwe to Dr Nyembezi on J2/J3  
15 August 2006 and amended per her request on 18 August 2006. The said

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document contains a handwritten note on the front cover: "(signature) Mr. Praderi Dir File". The following handwritten notes have been made in the document that is consistent with the changes that van Der Merwe was instructed to make to the bid specification document for the 52 hospitals by Nyembezi on 18 August 2006 at 09:01:

1. On page 4 section 4, an "asterix" has been made alongside the wording in the paragraph: **"THE OXYGEN GENERATING UNITS MUST COMPLY WITH ISO 10083 OXYGEN CONCENTRATOR SUPPLY SYSTEMS FOR USE WITH MEDICAL GAS PIPELINE SYSTEMS"** K4/K4/4
2. On page 8 the word Industrial has been scratched out and the words *"Professional Certified"* has been written before the word *"Engineer"* K4/8
3. On page 19 the words *"within one metre of the unit"* has been written after the last word in paragraph 4.8.1 K4/19

9.060 The aforementioned official document located in Intaka records contains a **"PRIVATE AND CONFIDENTIAL"** stamp and no Bid number in the space provided. K4  
 The Bid number would in the ordinary course of events be inserted in the space provided; in this case Rietvlei's bid number was ZNB 557/2006- H (refer to annexures J6 and J7), prior to the Bid document being provided to potential bidders. Thus, Intaka should not have been in possession of this document and it is apparent that Dr Nyembezi's changes sent to van Der Merwe for the 52 hospitals, were the same as those recorded in the document in Intaka's possession for Rietvlei Hospital. K3  
 The 52 hospitals Tender Specification document was still an official document and not a public one that had gone out to tender. K4

9.061 I also located an e-mail from Savoi to Dr Nyembezi dated 27 November 2006 06:45 pm, in the electronic data recovered by the SAPS from Intaka. The e-mail is titled **"AGREEMENT"** and the following message: *"Dear amiga, checking the document with our technical staff it was detected that a lot of things were added that are not according to our specifications neither to ISO 10083 specifications with which we comply. Therefore, I enclose the draft with the modifications/ withdrawals highlighted in red"*. Attached thereto is a Bid Specification word document titled **"Self Generated** N1/1  
 N1/2-29

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*Specs Nov 06 do*". This document is similar to that prepared by Westwood and attached as annexure K2 to this report, after he made the changes as instructed by Dr Nyembezi on 18 August 2006 as discussed above. Upon further examination I noted the following modifications/ withdrawals marked in red print as indicated by Savoi in his e-mail:

- 1) On the front page five red crosses have been added before the words: Bid No: /2006-H;
- 2) The last sentence in the 3<sup>rd</sup> paragraph on page 1 under the heading Scope is marked "WITHDRAW".
- 3) Section 3.1.1.1.2 Air Compressors on page 2, a section of the 1<sup>st</sup> paragraph is marked "WITHDRAW".
- 4) On the same page Section 3.1.1.1.4 is marked "ADD".
- 5) Section 3.1.1.1.6 on page 3 is marked "ADD"; section 3.1.1.1.8 on the same page a section has been marked "WITHDRAW"; and section 3.1.1.1.10 Air Tank the words "63mm" is marked "WITHDRAW".
- 6) Section 3.1.1.1.14 Pre-Filter Saturation Sensor has been marked "WITHDRAW" on page 4; section 3.1.1.1.16 on the same page the words "one (instead of two)"; section 3.1.1.1.17 the word "valve" marked "WITHDRAW"; and the next paragraph marked "SUBSTITUTE THE WHOLE SENTENCE FOR".
- 7) Section 3.1.1.1.18 Oxygen Pressure in the tank on page 5, a section of the 1<sup>st</sup> sentence and the 2<sup>nd</sup> sentence is marked "WITHDRAW".
- 8) Sections 3.3.1.5.1.1.3; 3.3.1.5.2.3; and 3.3.1.5.3.3 on page 10 are all marked "WITHDRAW".
- 9) Section 3.12 Fail Safe Design on page 17, the entire section is marked "WITHDRAW".
- 10) Sections 3.14 Compressors; 3.15.1.1 and 3.15.1.5 Maintenance on pages 18 and 19, have all been marked "WITHDRAW".
- 11) Sections 3.20.1.1.2.2; and 3.20.2.3 on pages 22 and 23 the words "CE Standards instead of British Standards".
- 12) Section 3.20.2.8.3 on page 23 the words "or cubic metre".

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- 9.062 I interpreted the word "WITHDRAW" to mean delete from the document and the word "ADD" to mean add to the document; this will become clearer when I discuss this further.
- 9.063 I also located an e-mail from Nyembezi to Savoi dated 29 November 2006 at 10:04am (2 days after the e-mail referred to in the previous paragraph in the electronic data recovered by the SAPS from Intaka. The e-mail is titled "DOCUMENT" and the following message "Success at last hope you get it". Attached thereto is a Bid Specification word document titled "*Self Generated Specs Nov 06 2 doc*". This document is similar to that referred to in the previous e-mail (and to that prepared by Westwood and attached as annexure K2 to this report), after he made the changes as instructed by Dr Nyembezi on 18 August 2006 as discussed above. Upon further examination I noted the following questions in blue ink that have been added to the document:
- 1) Included in Section 3.1.1.1.10 Oxygen tank on page 3.
  - 2) After Section 3.1.1.1.15 Heat Sensors on page 4.
  - 3) After Section 3.1.1.1.18 on page 5 Oxygen pressure in the tank
  - 4) After Sections 3.14.1.2.2.4 and 18; 3.15.1.1 on page 18 and 3.15.1.5 on page 19.
  - 5) Included in Section 3.20.1.1.2.2 on page 21.
- 9.064 Savoi replied on the same day at 12:02pm and the following message "*Dear amiga, I'm sending the replies in green underlined*". Attached thereto is a Bid Specification word document titled "*Self Generated Specs Nov 06 do*". This document is similar to that referred to in the previous e-mail (and to that prepared by Westwood and attached as annexure K2 to this report), after he made the changes as instructed by Dr Nyembezi on 18 August 2006 as discussed above. Upon further examination I noted a number of additions in green ink (as stated by Savoi in his e-mail), that appear to be an explanation as to why he has made further changes as questioned by Nyembezi in blue ink:
- 1) Section 3.1.1.1.10 Oxygen tank on page 3.
  - 2) Section 3.1.1.1.14 Pre- filter Saturation Sensor on page 4, however he has

References in the margin refer to  
 appendix numbers

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marked the next section 3.1.1.1.15 Heat Sensors as "can remain" that was previously marked "WITHDRAW".

- 3) Section 3.1.1.1.18 on page 5 Oxygen pressure in the tank.
- 4) Sections 3.14.1.2.2.4 on page 19; 3.15.1.1 and 3.15.1.5 on the same page.
- 5) Section 3.20.1.1.2.2 on page 22.
- 6) Section 3.20.2.4 on page 23.

- 9.065 I will again refer to these changes as indicated by Savoi in the aforementioned documents titled "*Self Generated Specs Nov 06 do*", when discussing the Bid Specification document approved by the Bid Specification Committee below. It is clear however that Intaka was advising the Department what to include and exclude in the Bid Specification document for the 52 hospitals tender; that this was still an official document and not a public one that had gone out to tender; and that Intaka themselves would later provide a bid. N1+N2  
K7
- 9.066 I further identified a "*personal*" e-mail in the Intaka electronic data seized by the SAPS from Savoi to Dr Nyembezi dated 25 August 2006, titled "Tender". He has attached 2 documents: an annexure A and a page 25 (marked 83). It is noticeable that a mark has been made next to point 11.2 "does the unit comply with ISO 10083". I wish to add that this was changed in the final Bid Specification document to read "does the oxygen enriched air comply with ISO 10083", that will be discussed below. K4A/1-3  
K7/26
- The question of the "*Unif*" as opposed to the "*oxygen enriched air*" being ISO 10083 compliant will also be discussed in more detail later in this report and Westwood of the Department will also cover this in his affidavit provided to us. I also refer to another "*personal*" e-mail between the 2 parties dated 30 August 2006 titled "Confidential" and the attachments "*Tender prices Afrox v Intaka*". The body of the e-mail reads: "*before you send to me your top confidential information today in the evening, herewith my top confidential information to you, just to keep 0 to 0. This is the result of the Namibian tender yesterday*". I also attach 2 further "*personal*" e-mails between the parties dated 17 October 2006 and 26 October 2006. It is evident that Intaka were expecting to be the providers of oxygen and medicinal air for a significant number of hospitals in KZN and in fact refer "*to meet with the aim to finalize the procedure of continuing the installation of Oxyntakas for the supply of*" K4A/4-6  
K4A/7-10

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*oxygen and medicinal air. We are finalising the production of 21 machines in the next 45 days and would like to forecast the production of the balance of the machines", prior to the matter going out to tender.*

**5) Minutes of the 5<sup>th</sup> Department of Health Bid Specification Committee meeting for 30 November 2006** **K5**

9.067 The minutes of the Department of Health Bid Specification Committee dated 30 November 2006 reflect that Item 7.3 referred to the Tender ZNB 7295/2006- H on site manufacture and delivery of bulk medical oxygen and medical air for clinical use. In terms of the discussion column the following was recorded: *"The Chairperson gave the Committee background information regarding the specification. The Committee was to note that the new specification document was originally for Rietvlei but was now been rolled out to other institutions"*. The bid document was approved, subject to amendments being made. The minutes were signed by the Chairperson Mrs N Mthembu on 15 December 2006 and confirmed by Dr Nyembezi on the same day. **K5/3**

**6) Bid for Ratification by the Bid Specification Committee and the attached KwaZulu- Natal Health: Specification for Bid No: ZNB 7295/2006- H "On- site manufacture and delivery of bulk medical air and oxygen for clinical use at Provincial Hospitals, situated in all Districts, for the Department of Health Provincial Administration of KwaZulu- Natal"** **K6**  
**K7**

9.068 Attached to the aforementioned minutes is a document titled "Bid for Ratification by the Bid Specification Committee" dated 30 November 2006. I wish to briefly refer to the "Background" as detailed on the document as this would later be disputed and/or challenged: **K6/1-2**

*"Demand Management initiated this contract. A decision was taken by Senior Management that on- site self- generating oxygen and medical air for clinical use shall be used throughout the Department. Reasons for such a decision were based on:*

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*The on-site generating process is cost effective.*

*Furthermore the process is independent of hospitals.*

*Cylinders can be filled in at clinics*

*The Committee is requested to note that some specifications were approved by the Head of Department for Rietvlei Hospital and a Mr. Alexandra was used as a technical advisor.*

*The matter is submitted to the Committee for noting".*

- |       |  |                |
|-------|--|----------------|
| 9.069 | The Bid for Ratification was approved by Dr Nyembezi on 7 December 2006. Dr Nyembezi was communicating with Intaka, who had advised her what changes to add and delete from the final Bid Specification document. The said submission makes no reference to Intaka and Savoi providing the said input into the final specifications- reference is made to Mr Alexandre only, or the fact that he joined Intaka during this process. Intaka's involvement in finalising the Bid Specification document should have excluded them from submitting a bid. | K6/2           |
| 9.070 | The approved Bid Specification document the KwaZulu- Natal Health: Specification for Bid No: ZNB 7295/2006- H "On- site manufacture and delivery of bulk medical air and oxygen for clinical use at Provincial Hospitals, situated in all Districts, for the Department of Health Provincial Administration of KwaZulu- Natal" is attached to the Bid for Ratification document.   | K7             |
| 9.071 | The changes that Dr Nyembezi had instructed van Der Merwe to make to the Bid document on 18 August 2006 and the changes made on the Rietvlei document located in Intaka's records, that are the same, as previously discussed, have now also been made to the final approved Bid Specification document, that I repeat hereunder for ease of reference:  | K3<br>K4<br>K7 |
|       | 1) On page 2 under the heading "Specifications of the Oxygen Generating Units" the words "THE/ ALL OXYGEN GENERATING UNITS MUST COMPLY WITH  | K7/3           |

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**ISO 10083 OXYGEN CONCENTRATOR SUPPLY SYSTEMS FOR USE WITH MEDICAL GAS PIPELINE SYSTEMS"** has been excluded.

- 2) On page 5 the word "Industrial" has been excluded and the words "*Professional Certified*" has been written before the word "*Engineer*". K7/6
- 3) On page 14 the words "*within 1 metre of the unit*" has been added after the last word in paragraph 4.8.1 (should read 3.8.1). K7/15
- 072 In addition with the exception of paragraph 3.1.1.1.15 Heat Sensors and paragraph 3.1.1.1.18 and "a maximum pressure of 5 bars", all the changes as recorded by Savoi appearing in the documents titled "*Self Generated Specs Nov 06 do*" e-mailed by Savoi to Dr Nyembezi on 27 and 29 November 2006 respectively have been made to the final approved Bid Specification document. N1/6+N1/7  
N1+N2  
K7
- 9.073 I further wish to refer briefly to certain sections of the Bid Specification document and attachments, that will become relevant later in this report: K7
- 1) Section 3.5 Quantities, sub- section 3.5.2 "*quantities are not guaranteed*". K7/12
- 2) Sub- section 3.5.4 "*LOAD PROFILE is estimated as follows*". K7/13
- 3) Section 6: **Filling of cylinders from the Generating Units:** "*It is the intention of the Department of Health (DOH) to eliminate the purchase of Medicinal Air and Oxygen in cylinders due to the high cost of such mode of supply. Instead the DOH envisages having cylinders, at some hospitals, filled with Medical Oxygen from the Generating Units specified in this Bid. The bidder is therefore free to elaborate and give indication of such capability to supply the DOH with cylinders, under rental, to be filled from the generating units, during off peak demands, as well as the capacity to supply the cylinder filling equipments necessary for such operation*". K7/23
- 4) Section 7 **Payments (where applicable):** K7/25
1. "*On each anniversary of the contract the monthly instalment shall be increased by the Consumer Price index as published prior to the year expired.*

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2. *All payments shall be made to the contractor, monthly in arrears based on the amount of kilograms consumed.*
3. *The contractor shall submit to the hospital an invoice on the day following the last day of the month of usage, which shall stipulate the actual quantity of oxygen used. Payment shall be made by the Hospital within twenty- five (25) days of presentation of the invoice".*

**5) Section 8: Maintenance of Equipment (Oxygen Generating Units) (Where applicable)**

**K7/25-26**

1. *"The contractor shall maintain the equipment in good order and repair.*
2. *The cost of maintenance of the equipment and any service or repair shall be for the exclusive account of the contractor.*
3. *The contractor guarantees that the equipment shall at all times comply with the bid specifications.*
4. *The contractor shall indicate the costs of maintenance of the equipment after the termination of the 5 year contract.*
5. *The contractor shall manufacture the self generating units in South Africa be "Proudly South Africa" compliant and have the ability to maintain the equipment in South Africa.*
6. *The contractor shall indicate successful use of their self generating units for the period of no less than 12 months in South African Government Hospitals.*
7. *The contractor shall have at all times, technicians available to repair the equipment within twenty four (24) hours of receiving notice of break- down of the equipment from the hospital.*
8. *Have sufficient spare parts available in South Africa to replace any part of the equipment that has broken or is defective.*
9. *Have equipment available to replace the equipment in the event of complete failure or destruction of the equipment.*
10. *Regularly inspect the equipment.*
11. *In the event of any maintenance or repairs or replacement of the equipment being required as a consequence of damage or destruction of equipment caused by neglect or wilful actions of the client the Hospital shall be liable for such repairs to or replacement of the equipment",*

**6) Section 11: Schedule of information: General:**

**K7/26-27**

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Tenderers must complete the following schedule of information for each Institution/ Hospital and are to submit with their tender comprehensive literature of the equipment offered:

1. *Institution/ Hospital.*
  2. *Does the oxygen enriched air comply with ISO 10083.*
  3. *PSA Plant Manufacturers Name.*
  4. *Country of Origin.*
  5. *Model No.*
  6. *Does the equipment comply fully with the specification? Yes/ No.*
  7. *NB: if the reply to the above is in the negative detail the variations.*
  8. *Are all Spare Parts available in the republic of South Africa? Yes/ No.*
  9. *Electrical power requirements:*
  10. *Total connected electrical load in KW.*
  11. *Estimated monthly electrical consumption KWHours.*
- 7) Attached to and forming part of the Bid Specification document is a document titled "**Rollout of self Generated Oxygen 3 Phases and Districts**". This document contains the names and districts of the hospitals envisaged under the tender. It further contains the "**Average Monthly Consumption (Kg)**" of oxygen per hospital. K7/31-41
- 8) Also attached to and forming part of the Bid Specification document is Section F to be completed for each of the 52 hospitals. The document makes provision for the total bid price including VAT, the amount in words and time for completion/ delivery in calendar days/ months. The document makes no reference to the "average monthly consumption (Kg)" or any other reference to quantities of oxygen. K7/49-100
- 9) Attached to and forming part of the Bid Specification document is Section H Official Briefing Session/ Site Inspection Certificate to be completed for each of the 52 hospitals where applicable. K7/102-153
- 10) Attached to and forming part of the Bid Specification document is Annexure B Technical Ability. It makes provision for amongst others the company's contribution towards social responsibility within KwaZulu- Natal. K7/167
- 11) The General Conditions of Contract makes provision for amongst others the following definitions: K7/170

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1. *"Corrupt practice" means the offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the procurement process or in contract execution.*
2. *"Fraudulent practice" means a misrepresentation of fact in order to influence a procurement process or the execution of a contract to the detriment of any bidder, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non- competitive levels and to deprive the bidder of the benefits of free and open competition.*
- 12) Section 13 of The General Conditions of Contract *"Offering of Commission or Gratuity": "If the Contractor, or any person employed by him, is found to have either directly or indirectly offered, promised or given to any office bearer of the Province or person in the employ of the Province, any commission, gratuity, gift or other consideration, the Province shall have the right, summarily and without recourse to law and without prejudice to any other legal remedy which it may have in regard to any loss or additional cost or expenses, to cancel the Contract without paying any compensation to the Contractor".* K7/177
- 13) A Price Page is required to be completed for each of the 52 hospitals and signed by the Bidder. The questions and information to be provided is similar to the appearing at Section 11 of the Bid Specification document and the form at section F referred to earlier in this report. The document makes provision for amongst others: whether the offer complies with the specification; whether it conforms to SANS/ SABS specifications and inspected by the SANS/ SABS; and the total bid price. There is no reference to the *"average monthly consumption (Kg)"* or any other reference to quantities of oxygen. K7/197-  
247  
K7/26-27  
K7/49-100
- 7) A copy of an advertisement: Invitation to Bid: Supply: On-site manufacturing and delivery of bulk medical oxygen and medical air to all institutions K8

9.074 The said document refers to Bid number ZNB 7295/2006-H and a closing date of 15 February 2007.

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- 8) Intaka Investments (Pty) Ltd Bid in respect of Tender no: ZNB 7295/2006- H K9  
dated 13 February 2006 (it is evident from the remainder of the document that  
the year is in fact 2007, refer to pages K9/65- K9/120)

9.075 I shall briefly refer to relevant parts of Intaka's bid:

- 1) Intaka submitted their bid under the signature of Fernando Praderi a duly K9/65, 66  
authorised representative on 14 February 2007. + 211
- 2) Intaka would provide 7 hospitals with Oxyntaka units free of charge and K9/3-4  
associated consumption costs. Every hospital in the bid would be provided with  
free medical air. The Department would be vested with ownership of every unit  
after 5 years. Based on the lifespan of each unit the Department could continue  
to generate medical air and medical oxygen for an additional 25 years (or  
possibly more).
- 3) "During the second phase of operation (i.e. following completion of the initial 5 K9/4  
year lease), the DOH will be in a position to fill cylinders with medical air and  
medical oxygen from the generating units, thereby enabling it to supply clusters  
of small clinics and Community Health Clinics around each hospital, at a negligible  
cost". However, Intaka contradict themselves later in their bid under "Benefits":  
"cost effective filling of cylinders for clinics. During off peak periods cylinders may K9/11  
be filled from the Oxyntaka units for use at the clinics. Currently the cost of  
oxygen at the clinics is substantially more expensive than that for bulk usage",  
where it is implied that this can be done at any time including during the initial 5  
year lease period.
- 4) The Intaka Group Structure makes provision for a "Future Empowerment K9/6  
Partner" that falls under "Intaka KZN (Pty) Ltd to do \*marketing, installation and  
maintenance".
- 5) Section F has been completed for each of 53 hospitals. Intaka has provided the K9/67-  
total bid price including VAT for each of the said hospitals. This document makes 119  
no reference to the "average monthly consumption (Kg)" or any other reference  
to the bid price being dependent on specific quantities of oxygen. Note: Taylor  
Bequest Hospital was not included in the 52 hospitals in the initial bid as it  
questioned whether the hospital was in the Eastern Cape, however a bid price

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- |  |                                  |
|--|----------------------------------|
| was provided by Intaka   | K9/100                           |
| 6) The bid prices have been repeated and inserted in the "rollout of self generated Oxygen 3 Phases and Districts" section, and on the Price pages for each of the 53 hospitals. The price pages also make no reference to the bid price being dependent on specific quantities of oxygen. I wish to point out that Intaka has answered yes to all questions requiring a yes or no answer and the word "NA" has been provided as an answer to "facility fee per month" and "rental/ consumption per month". They have further provided a "total bid price" and have inserted no comments in the column marked "remarks". Hence, this would imply that Intaka's offer has complied with the specification; it conforms to SANS/ SABS standards and has been inspected by the SANS/ SABS; there is no facility fee per month or rental/ consumption per month additional costs involved; and the total bid price is that recorded on each Price Page per hospital. | K9/241-<br>249<br>K9/250-<br>302 |
| 7) We prepared a schedule detailing the average monthly consumption provided by the Department in the Bid document that forms part of Intaka's bid and the bid price per hospital provided by Intaka in their bid. I will refer again to this document and specifically the average monthly consumption when discussing the Agreement subsequently entered into between Intaka and the Department.   | K10                              |
| 8) In Annexure B Intaka has referred to their contribution to social responsibility within KwaZulu- Natal, should they be awarded the contract: "Intaka is currently in the process of negotiations with an empowerment partner in KZN and has registered the local company. Intaka will provide facilities, mentorship and skills transfer to offer to empower the local partners to be self sufficient in marketing the equipment and to provide all local support and maintenance". Earlier in their bid they referred to "Intaka Investments is currently engaged in setting up Oxyntaka KZN which will be an empowerment company" (as opposed to "has registered the local company").   | K9/188<br><br>A9/12              |
| 9) Section M: Schedule of variations from goods or services information, makes provision for the bidder to make any departure from or modifications in the Special Conditions of Contract, Specifications, Schedule list of prices/ quantities/ drawings or to qualify the bid in any way. Intaka has endorsed this documents "not applicable".  | K9/189                           |
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10) In Section 11 Schedule of Information of the Specifications, Intaka has answered **K9/240**  
a number of questions including: Does the oxygen enriched air comply with ISO  
10083? Intaka has answered "Yes"; does the equipment comply fully with the  
specifications? Intaka has answered "Yes". Questions 11.8.1 and 11.8.2 remain  
unanswered.

9.076 I determined that an entity was registered in the name of Intaka KwaZulu Natal (Pty) **K11**  
Ltd with registration number 2005/006527/07 on 3 March 2005. It was previously  
known as Yahoola Investments. It would also appear that the entity is now  
deregistered. Gaston Savoi with id 521226 was an active principal and was  
appointed on 3 March 2005. The remaining three non- active principals were also  
appointed on 3 March 2005: Christian Gouws, id 590828 5147 004; Rafique  
Moegemat Bangus id 631026 5029 089; and Sipho Joseph Gcabashe id 540113  
5633 084. There is no record of an entity registered in the name of Oxyntaka KZN.  
Savoi in his affidavit has also referred to a Rafique Bagus (not "Bangus") as the  
Ministers Special Advisor. We performed a Director Enquiry on the identity number  
provided and determined the surname is Bagus.

**9) Documentation relating to the Technical Committee and minutes of the Bid  
Evaluation and Adjudication Committees**

9.077 There are a number of documents relating to the Technical Committee, the Bid  
Evaluation Committee and Bid Adjudication Committee. I shall briefly refer to each  
and the relevance thereof.

9.078 On 28 February 2007 Ntshangase sought authority from Dr Nyembezi for the **K12**  
formation of the Technical Committee to evaluate the technical aspect of the Bid  
before submission to the Bid Evaluation Committee. Included in the proposed  
committee is Mr C Alexander, Chief Engineer, Department of Health, Western Cape.  
On 5 March 2007 Buthelezi advised Ntshangase that he was required to add a **K13**  
representative from Supply Chain Management to the committee. The following  
handwritten endorsement has been made on the memorandum *"having discussed  
the composition of the committee with HOD and she advised that C. Alexandre*

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*should be withdrawn as he is now employed by one of the service providers of bulk oxygen and she was also going to get the name of the engineer in Western Cape who took over from him". It appears to have been signed by Ntshangase.*

- 9.079 At the meeting of the Bid Evaluation Committee (BEC) held on 23 March 2007, Mr V Halvey (Halvey), Technical Support Services Northern Cape, Department of Health, provided a report to the BEC. It was resolved that a full investigation be undertaken to ascertain the current monthly consumption of medical oxygen by the various institutions and that these costs be standardised to ensure a common denominator is established for the evaluation process. The BEC also requested that the Chairperson, Ntshangase, obtain authority to invite Mr Halvey to take part in the investigation with the KZN Province. **K14**
- 9.080 At the meeting of the BEC held on 3 May 2007, a technical report was presented by the Technical Committee present, being Halvey and Westwood. Out of the discussions the following was noted: Successful Service Providers are to consult with Engineers and Health Technology Unit as Site Location is important, and sites need to be prepared and registered with the Medicine Control Council as the gasses involved are a Schedule 3 drug; Bidders need to supply ISO Certification viza: ISO 10083 as proof of compliance as per specification; Halvey advised the Committee that it is not beneficial to take ownership of these units after 5 years due to the nearing of the lifecycle with a lifespan of between 5 and 7 years; for some hospitals there was only 1 offer *Ntaka Investments PTY*. The BEC recommended the bid be awarded to *Ntaka Investments PTY* for all hospitals per 4 phases. **K15**
- 9.081 At the meeting of the BAC held on 9 May 2007, chaired by Buthelezi, the BAC requested that the next meeting be aligned to Mr Westwood's availability to consider the bid. **K16**
- 9.082 At the meeting of the BAC held on 28 May 2007, chaired by Buthelezi, the BAC did not support the recommendation of the BEC and requested the bids be returned for clarification. Clarity was sought on the following: **K17**
- Whether consideration should be given to the joint award of the tender;

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- Confirmation of compliance to ISO 10083;
- Confirmation of price for budgeting purposes;
- Clear reasons as to why companies were eliminated;
- Confirmation whether prices are based on current or future services.

It was also noted under the discussion column that Westwood advised the BAC that Mr D Goddin of Pharmaceutical Services had informed him that oxygen is now considered a registered medicine and must therefore be registered with the Medical Control Council. These minutes were only signed by Buthelezi on 25 September 2007.

- 9.083 At the meeting of the BEC held on 29 May 2007, chaired by Ntshangase, the BEC had a number of items under discussion: District Hospitals to serve as Pilot Sites as opposed to phase 1; buying out the unit as opposed to lease; bidders needed to provide ISO 10083 certification; multiple awards; and the price of Intaka compared to Afrox and additional costs to be incurred. The BEC recommended that the matter be referred to the Accounting Officer as the BEC was abiding by the decisions of the Technical Committee and decisions made by the BEC. K18
- 9.084 At the meeting of the BAC held on 4 June 2007, chaired by Buthelezi, the BAC was informed by Buthelezi that Ntshangase had submitted a letter that Intaka did comply with ISO 10083. The BAC approved that the tender be awarded to Intaka subject to: either the production of the ISO compliance certificate or the provision of a letter detailing the extent of compliance with ISO; and receipt of the recommended company's Execution Plan. It was concluded *"Due to the urgency of the item, it was requested that the criteria will be circulated to all members for comments prior to the Chairperson signing the submission to the Head of Department to expedite the entering into a Service Level Agreement"*. I was unable to determine the urgency of the matter and whether all members provided comments. These minutes were only signed by Buthelezi on 22 October 2007. K19
- 9.085 A Submission was prepared and submitted to the BAC on 25 June 2007. It was approved by Buthelezi on 26 June 2007 and validated by Dr Nyembezi on the same K20

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day. In terms thereof it was recommended that the tender be awarded to Intaka who was *"the only bidder who fully complied with the specifications"*. The following annexures form part of the submission:

- 1) Annexure A a Submission (undated) prepared by the BEC for consideration by the Bid Adjudication Committee (BAC), detailing the events that preceded the submission. It has been signed by Ntshangase. A number of hospitals were excluded from the 1<sup>st</sup> and 2<sup>nd</sup> phases, based on the input of the Technical advisors. The BEC recommended that the tender be awarded to Intaka in respect of 25 hospitals, subject to the drafting of a service level agreement which should address the points as raised in paragraph 10, being issues raised by the Technical Committee, that is consistent with the minutes of the BEC held on 3 May 2007. The prices per kg of the 25 hospitals in question are consistent with Intaka's bid and there is no reference to quantities of Oxygen associated with the price per kg. K21
- 2) Annexure B a Technical Report titled "The Evaluation of Pressure Swing Absorption (PAS) Units" that is signed by Halvey. I wish to point out that we showed this document to Westwood when we interviewed him and which will be discussed later in this report. He provided us with his copy where he noted a number of significant instances where he did not agree with Halvey's report. The said Technical Report was to be amended according to Westwood to include these changes; there is no evidence that the report was subsequently changed. K22/1-2  
K22/3-4
- 3) Annexure C comprising 25 schedule of comparative bid prices (for phase 1 and 2 as envisaged by the BEC) detailing Intaka's bid price and Insmed's bid price where applicable K23
- 4) Annexure D a spreadsheet detailing costs per hospital. Included in the spreadsheet is an *"estimated monthly kg's"* and *"estimated monthly costs"*. The estimated monthly kg's is the same as the *"average monthly consumption"* provided by the Department in the bid specification document, with the exception of Lower Umfolozi Hospital reflecting an estimated monthly kg's of 6,500 kg, where none was provided in the bid specification document. The price/ kg is the same as that provided by Intaka in their bid. Included are 7 hospitals where Intaka would not charge the Department i.e. no costs involved. The total cost for K24

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60 months based on estimated monthly kg's is reflected as R93,843,180.

- 5) Annexure E is an extract of Intaka's bid document consisting of 12 pages and a letter from Intaka dated 6 June 2007, where they have explained their interpretation of the contents of the bid specifications, as it relates to ISO 10083. Their explanation is that the bid does not call for a certificate of compliance, but that the oxygen enriched air is to comply with the minimum oxygen concentration and purity as stated in the ISO 10083, and that it does not call for the equipment compliance with ISO 10083. The said letter from Intaka has been signed by Professor Alexandre, whom I understand was previously employed by the Western Cape Department of Health and who was removed from the technical committee and replaced with Halvey. It is also my understanding that Halvey left the Northern Cape Provincial Government and joined Intaka shortly after the contract was awarded to Intaka. K25

- 9.086 At the meeting of the BAC held on 27 June 2007 (i.e. a day after Buthelezi had already approved the tender be awarded to Intaka and it being validated by Dr Nyembezi on 26 June 2007), chaired by Buthelezi, the following was recorded: K26

- 1) Under Discussion: *"the Chairperson informed the members for the purpose of clarity that the ISO compliance had been a recommendation but not a requirement in terms of the specification. The concerns raised by Mr Westwood at the Departmental Bid Adjudication Committee meeting had been addressed and resolved at the Departmental Bid Evaluation Committee meeting. It was noted that a meeting was held on 22 June 2007, where the above matters were discussed and resolved".*
- 2) Under Resolution: *"The Departmental Bid Adjudication Committee approves the recommendation of the Departmental Bid Evaluation Committee that the tender be awarded to the only bidder who fully complied with the specifications, Intaka Investments (Pty) Ltd subject to the crafting of a Service Level Agreement".* K20

- 9.087 We determined from Ms Sally Crichton, who was responsible for the compilation of the minutes of the BEC and BAC that she has no record of any meeting of the BAC on 22 June 2007 and she did not attend such a meeting. We determined further from Mrs Mthembu, Ms Deonundhan and Ms Ndaba, members of the BAC, that there was

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no official BAC meeting on 22 June 2007. They were summoned to a meeting by Buthelezi (Chairman of the BAC) in the office of Ntshangase (Chairman of the BEC) and the tender was discussed. Minutes were not kept. It is my submission that it is highly irregular for the Chairman of the BEC to meet on his own with members of the BAC, as this undermines the independence of the BEC and BAC and the whole intention of having committee's such as these. Further, the meeting of 22 June 2007 cannot be deemed to be an official meeting of the BAC. I will again refer to this when discussing our interviews with the members of the committees.

088 On 18 July 2007 Ms Crichton sent the minutes of the BAC meeting held on 27 June 2007, approved by the BAC on 11 July 2007, to the Buthelezi to approve (as Chairman) and to be forwarded to Dr Nyembezi for signature. K26

**10) Appeal by AFROX, INSMED and Myriad Medical and findings of the Bid Appeal Tribunal**

9.089 In July 2007 AFROX, INSMED and Myriad Medical lodged a Notice of Appeal of the award of the tender to Intaka with the Bid Appeals Tribunal that resulted in a Bid Appeal Tribunal Hearing. AFROX referred to the KwaZulu- Natal Procurement Act no 3 of 2001 in their Appeal. I wish to refer to the fact that the said Act was repealed on 20 December 2005, from which date the KwaZulu- Natal SCM Policy Framework and Treasury Regulations 11A came in effect (previously referred to in this report). A2  
Practice Note number SCM-07 of 2006 issued in terms of the said SCM Policy K27  
Framework, deals with the Bid Appeal Tribunal, attached hereto for ease of reference. Hence, the Appeal should have been made in terms of the said SCM Policy Framework and relevant Practice Note. I wish to mention that the said Practice Note is silent on what the duties of the Tribunal are and specifically whether they only rely on the evidence presented before them, or whether they are required to do any independent enquiries and research. This will become evident when discussing the documentation relating to the appeal.

9.090 We obtained a copy of all correspondence dealing with the Appeal from Ms Mandy Du Toit of the KZN Bid Appeals Tribunal, that is attached hereto in it's entirety, apart K28+ K29

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from duplicates and I have further sorted them into date sequence:

- 9.091 The file consists of a document that serves as an index of the contents of the file. K28/1-3-  
 The first 5 documents are copies of documents already discussed in this report, namely:
1. The Invitation to Bid advertisement. K28/4
  2. The Bid Specification document. K28/5-45
  3. The minutes of the BEC dated 23 March 2007. K28/46-50
  4. The minutes of the BEC dated 3 May 2007. K28/51-63
  5. A Technical Report signed by Halvey. K28/64-65
- 9.092 The remainder of the file consists of: the letters of appeal; correspondence of the Bid Appeal Tribunal; correspondence from the Department; replies from the Appellants and Intaka; and the findings of the Tribunal, as detailed hereunder: K29
- 1) On 5 July 2007 Myriad Medical sent an e-mail to the Department requesting the reasons why Myriad Medical was not successful with their bid. K29/1
  - 2) On 9 July 2007 AFROX sent a letter addressed to the Bid Appeals Tribunal of their notice to appeal the tender award. Their grounds and basis for the appeal is detailed hereunder: K29/2-3
    - i. *"To the best of our knowledge and belief, the party to whom the tender was awarded, Intaka Investments (Pty) Limited, is in liquidation (either provisional or final);*
    - ii. *Intaka Investments (Pty) Ltd (and its related companies) is currently subject to an investigation by the National Prosecuting Authority as a result of installation and use of its products in the Northern Cape Province;*
    - iii. *The Bid called for a supply of a product not in compliance with MCC regulation and as such supply of the product may be illegal and dangerous; and*
    - iv. *Afrox is a current supplier of gaseous products within the province. Aprox has serious reservations about the potential of "mixing gases", the consequences for MCC compliance and the liability of the facilities that use such mixed gases".*

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| 3) On 9 July 2007 Ntshangase replied to Myriad Medical and provided the reasons why Myriad Medical was not successful in their tender: <i>"Your Company does not have a Pressure Swing Absorption Unit installed in South Africa and therefore your product has not been tried and tested in South African conditions as yet. It is noted that Myriad Medical has been appointed as the agent for sub-Saharan Africa for Dinattec Oxygen Generators, and the equipment would be imported from Brazil"</i> . | K29/4   |
| 4) On 10 July 2007 Myriad Medical sent a letter addressed to the Bid Appeals Tribunal of their notice to appeal the tender award. They stated that they will together with their legal representative in due course present their basis for their appeal. They requested minutes of the various meetings including <i>"technical reports, minutes of the Evaluation Committee and minutes of the Award Committee"</i> .   | K29/5   |
| 5) On 11 July 2007 INSMED sent a fax addressed to the Bid Appeals Tribunal of their notice to appeal the tender award. Their reason was that <i>"the tender was awarded to a sole tenderer"</i> . They also requested a detailed commercial and technical report.   | K29/6   |
| 6) On 11 July 2007 the Bid Appeals Tribunal notified the Chairperson of the BAC of the appeal of AFROX, Myriad Medical and INSMED, and of the procedure to be followed.   | K29/7-9 |
| 7) On 12 July 2007 AFROX sent a further letter of request to the Manager CSCM.  | K29/10  |
| 8) On 16 July 2007 the Bid Appeals Tribunal notified Intaka of the appeals lodged by AFROX, Myriad Medical and INSMED, and informed them of the procedure to be followed in respect of their submission   | K29/11  |
| 9) On 20 July 2007 AFROX sent a further fax to the Manager CSCM.  | K29/12  |
| 10) On 23 July 2007 AFROX sent a fourth letter to Buthelezi (the CFO and Chairman of the BAC) and referred to their 3 previous requests to which no reply had been received.  | K29/13  |
| 11) On 23 July 2007 Intaka replied to the Bid Appeals Tribunal and included their response to the 3 Appeals. Intaka's reply is for the most a legal opinion in response to the 1) the documentation requested by INSMED and Myriad Medical and 2) the grounds for Appeal by the 3 Appellants. I wish to refer to specific objections raised by Intaka:  | K29/14  |
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References in the margin refer to  
 appendix numbers

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| i.   | INSMED was not entitled to the reports as requested but only to be provided with written reasons.  | K29/16   |
| ii.  | Myriad Medical was not entitled to the technical reports as requested but only to be provided with written reasons.  | K29/17   |
| iii. | <i>"Intaka is, to the best of its knowledge after having made reasonable enquiries, not currently subject to any investigation by the National Prosecuting Authority as a result of the installation and use of its products in the Northern Cape Province".</i>   | K29/18   |
| iv.  | They refuted that Intaka's product was required to be MCC compliant or that it was required that oxygen had to be registered with the MCC, as the resolution had been approved but not yet published.  | K29/18-19  |
| v.   | The oxygen enriched air produced by their unit complied with amongst others International Standards ISO 10083  | K29/19   |
| 12)  | On 30 July 2007 AFROX sent a further request to the Bid Appeals Tribunal following telephonic discussions on 23 and 24 July 2007.  | K29/21   |
| 13)  | On 1 August 2007 Buthelezi as Chairman of the BAC committee replied to 2 of the reasons for the appeal raised by AFROX: the onus was on AFROX who are alleging same to prove liquidation; and the BID document did not specify compliance with the MCC standards. This was forwarded to the Bid Appeals Tribunal on 2 August 2007. Similarly Ntshangase's reply to Myriad Medical dated 9 July 2007 was forwarded to the Bid Appeals Tribunal on 3 August 2007.  | K29/22<br>K29/23<br>K29/4<br>K29/24              |
| 14)  | On 1 August 2007 Buthelezi replied to INSMED's letter of appeal dated 11 July 2006. He referred amongst others to the Technical Committee report, but appears not to have attached same: <i>"This company's PSA is installed at Vryheid Hospital. The unit is imported from France and is called the Oxyplus Technologies which is supported by the NOVAIR group. This unit is functional but is not supplying low pressure air to the Hospital".</i> It is apparent that Buthelezi is quoting from the report prepared by Halvey. In terms of the Submission dated 25 June 2007 there is no reference to INSMED being excluded based on the grounds referred to by Buthelezi, despite reference being made in the Submission to the said Technical report; and the minutes of the meeting of the BAC held on 27 June 2007 makes no reference to INSMED being excluded on the grounds referred to by Buthelezi. I wish to add further that we have not | K29/25<br>K22/1<br>K20+K21<br>K21/2-3<br>K26/3-4 |
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References in the margin refer to  
 appendix numbers

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interviewed Halvey as we understand that he is employed by Intaka.

- 15) On 6 August 2007 the Bid Appeals Tribunal sent Buthelezi's reply above to INSMED by fax. K29/26
- 16) On 7 August 2007 INSMED replied directly to Buthelezi and dealt specifically with his letter dated 1 August 2007: K29/27-28
- i. *"With reference to the Technical Committee Report, the comments are true with the exception that all of our units have the ability to supply Oxygen and low pressure air to all hospitals, but the Vryheid Unit was asked to be delivered and installed without the air option (refer contract signed with KwaZulu Natal Department of Health).*
  - ii. *We also requested a Technical evaluation on all bids as we believe that "apples with apples" was not taken into consideration. Please forward as requested.*
  - iii. *We therefore wish to state herewith that our objection still stands until all matters raised are addressed in the interests of transparency"*
- Hence, INSMED agreed that their Unit was not manufactured in South Africa, but disputed that they were not in a position to supply low pressure air. I agree with their request that a Technical Evaluation should have been performed as it was evident that "apples with apples" was not taken into consideration, that will become more evident later in this report, when dealing with issues such as the manner in which the price per kg was to be determined; the provision of a back-up system and related equipment and expenses; and the provision of maintenance.
- 17) An e-mail from the Bid Appeals Tribunal to the Department dated 7 August 2007 refers to the appeal process to date and that 20 August 2007 has been set aside to hear the Appeal. K29/29-31
- 18) On 7 August 2007 Mrs Zondo, SCM sent a Memorandum to Ntshangase, as GM SCM. Included is a note that Provincial Treasury has indicated that they would like to expedite this matter and are considering holding the hearing on 15 August and not 20 August 2007. We were unable to determine who and why Provincial Treasury wanted the matter expedited. K29/32
- 19) A KwaZulu Natal Bid Appeals Tribunal notice reflecting that the matter was set down on 13 July 2007 for a hearing on 15 August 2007. Mandy Du Toit of the Bid K29/33-34

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- Appeal Tribunal had only indicated in her e-mail on 7 August 2007 that the matter was set down for 20 August 2007 (and not 15 August 2007, being the date Treasury wanted the hearing to take place). She has also signed the document on behalf of the Chairperson of the Bid Appeals Tribunal. K29/29
- 20) AFROX sent another letter to the Bid Appeals Tribunal on 8 August 2007: K29/35-36
- i. The adjudication process completely ignored the offer in respect of "...and the delivery of bulk medical oxygen"
  - ii. Their explanation with regard to "Medical Oxygen" and that they believed Intaka did not meet these requirements.
  - iii. They submitted that the allegations with regard to the liquidation of Intaka and/or Intaka being subject to an investigation by the NPA was provided for the Bid Appeals committee to further investigate this should it be deemed appropriate.
- 21) On 10 August 2007 Ntshangase sent a further letter to Myriad Medical in respect of their Appeal and attached an extract of the Technical Report: "Myriad Medical (Pty) Ltd: this company does not have a PSA installed in South Africa. Myriad Medical is the agent in sub-Saharan Africa for Dinattec Oxygen Generators which will be imported from Brazil. Hence, not tried and tested in South African conditions". It is apparent that Ntshangase is quoting from the report prepared by Halvey. The Submission dated 25 June 2007 refers to Myriad Medical being eliminated based on the input provided by the Technical Advisors in their report. The minutes of the meeting of the BAC held on 27 June 2007 makes no reference to Myriad Medical being excluded on the grounds referred to by Buthelezi. K29/37-38  
K22/1-2  
K21/3  
K26/3
- 22) A handwritten note (undated, but refers to 15 August 2007) that appears to have been signed by Mandy Du Toit, based on the signature being similar to that appearing on a previous document "To: Matthew and Members. This response was received from Myriad Medical today 15/08/2001. They are not satisfied with the reply. It is a possibility that they may still withdraw". I will refer to the Myriad Medical reply below, however of concern is Mandy Du Toits comments "it is a possibility that they may still withdraw", as I interpret this to mean that should Myriad Medical withdraw their appeal or from the appeal hearing, then the Tribunal need not concern themselves with the latest response from Myriad K29/39  
K29/33
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**Medical.**

- 23) The Myriad Medical response is dated 14 August 2007 and is addressed to Mr M Francis, Chairperson, Bid Appeals Tribunal, and summarised hereunder: **K29/40-46**
- i. They disputed the Departments response that Myriad Medical does not have a PSA installed in South Africa. They attached copies of correspondence that confirmed that in 2004 they supplied Intaka Investments with a Dinattec Pressure Swing Absorption Oxygen Generating Unit, which they understood was installed at Somerset West Hospital and successfully operated there for an extended period of time. They further added that Intaka had failed to pay for the unit and the amount remains outstanding. They also attached photographs of the Dinattec unit together with Intaka Investments logos at the Dinattec installation in Somerset West at the time. They also stated that they offered to fly an official nominated by the Department to Brazil at their own cost, to inspect the over 300 units which are successfully operating in Brazilian hospitals. **K29/40**  
**K29/42-43**  
**K29/44-45**
  - ii. The failure by the Department to provide the requested minutes of the various committees and the technical report has seriously hampered their ability to deal with their objection in the appeal. It further remained unclear to them if the technical specifications when comparing the various tenders received were in fact comparable. They added that they were to the best of their knowledge and belief, aware that their prices were the most favourable priced in a number of sites. **K29/46**
  - iii. They attached an article that appeared in the media relating to an investigation in the Western Cape with regards to a tender for oxygen generating units. The said article makes reference to Intaka Investments, Oxyntaka and Wataka and that it was alleged Intaka and affiliated companies are money making schemes. This is in terms of one of the reasons lodged by AFROX , to which Buthelezi replied that the onus is on AFROX to prove same; whereafter AFROX requested that the Bid Appeals tribunal conduct further investigation into this matter. **K29/41**
  - iv. They have concluded as follows" *In the absence of information as requested in order for this company to prepare for the hearing and study*

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*documentation to satisfy ourselves that offers were brought to comparative levels as well as the short time period allowed before the hearing we will only be in a position to present our case to the Bid Appeals Tribunal once this information has been made available to us. Due to the objections raised by ourselves and other parties to the awarding of this tender it may be pertinent that this tender be put on hold until this matter has been thoroughly investigated". I submit that the request by Myriad Medical was reasonable and that their concerns appeared to have substance as supported by relevant documentation; that necessitated further investigation and that the appeal should have been adjourned to a later date.*

- 24) The decision of the Appeal hearing is contained in a document dated 22 August 2007 signed by what appears to be Mr M Francis only as Chairman. He subsequently confirmed to me that he had signed the document and that it was the practice at the time for only the Chairman to sign the judgement. I wish to refer to issues that appear to place the Appeal hearing in dispute and not serving the best interests of the Department and the 3 Appellants (initially pages 4 and 6 of the judgement were missing but subsequently supplied to us by Mandy Du Toit):
- i. *"Although having been given notice of the hearing, the Third Appellant (Myriad Medical) did not attend.* K28/47-57
  - ii. *Whilst the Third Appellant did lodge an objection, its letter of objection did not provide any reasons for the objection. The Department, however, advised the Third Appellant that its bid had been rejected because it (the Third Appellant) had failed to comply with tender specifications in that it did not have a Unit installed in a South African hospital". This is factually incorrect. The Tribunal was advised and provided with detail as to the reasons for their objection, including supporting documents on 14 August 2007. The Third Appellant also requested further documents and information that would enable them to be in a position to present their case. They also provided evidence that they had a Unit installed at Somerset West Hospital. This was known to the Chairman and the Members based on Mandy Du Toits note to them on 15 August 2007,* K29/48 K29/54 K29/40-46

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where she attached the Third Appellants letter dated 14 August 2007.

Even in the absence of the Third Appellant at the hearing itself, the Tribunal was aware of their reasons for appeal, however no reference is made to these documents at all.

- iii. *"No evidence was tendered to support the assertion that the preferred bidder was being investigated by the National Prosecuting Authority, this allegation was also vehemently denied by the preferred bidder at the hearing. As stated above the Tribunal was provided with the newspaper article alleging the Scorpions had been called upon to investigate Intaka on 15 August 2009. No reference is made to this article at all. In addition Intaka lied to the Tribunal, as they were aware of an investigation by the NPA in November 2006 already that will be discussed later in this report when discussing documents seized by the SAPS at Intaka.*

**K29/55-56**
  
- iv. *"Registration with the MCC was not a specification of tender. In any event, the product offered by the preferred bidder complied with the stringent international standards prescribed by the USA and European pharmacopoeia, and ISO 10083". The Technical Report prepared by Halvey and a copy of which was provided to the Tribunal raised a number of points that should be taken into consideration when procuring and commissioning the PSA Units. that included: "The Oxygen produced by the PSA units should meet the Medicine Control Councils Standards". The said Technical Report was also accepted by the BEC on 3 May 2007, in terms of the minutes of the said meeting (a copy of which was provided to the Tribunal), where it was recorded "Sites need to be prepared and registered with the Medicine Control Council as the gasses involved are schedule 3 drug". Similarly, the said minutes reflect "Bidders need to supply ISO Certification viz. ISO 10083 as proof of compliance and registration as per specification". Hence, MCC registration was a requirement of the Technical Advisors and accepted by the BEC; the Tribunal was aware of same but made no reference thereto in their findings. Further, the Tribunal accepted that Intaka would be ISO 10083 compliant and registered, without any evidence of same being produced at the Tribunal hearing. The ISO 10083 registration would later become a*

**K29/56**

**K22/1-2**

**K28/64-65**

**K15**

**K28/53**

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contentious issue after the Department entered into the Agreement with Intaka.

- 25) The Bid Appeals Tribunal forwarded their decision to the Head of Provincial Treasury, Mr DSD Shabalala on 23 August 2007. The said Shabalala was referred to by Savoi in his affidavit as one of the officials who at Intaka's cost went on a fact-finding mission to South America from 20- 23 March 2004. He was also the person who requested a donation to the ANC from Savoi. Shabalala will be referred to again later in this report in more detail. Shabalala sent the decision of the Tribunal to the Minister of Finance and Economic Development on 30 August 2007, under covering minute signed by him. This was subsequently endorsed by the Minister. K29/58  
E1/4  
E1/4  
K29/59
- 9.093 I located an e-mail in the Intaka electronic records seized by the SAPS from Alicia Marcos to Raoul De Lange (both of Intaka). The body of e-mail titled "KZN" contains the following: *"I enclose text of an sms sent by Sipho Shabalala to Dr Savoi"*. Attached is a document on an Intaka letterhead marked **"FILE NOTE Sms sent by Sipho Shabalala to Dr Savoi on 24.08/2007 at 10.20. Amigo hearing went very well. Expecting results early next week"**. This is highly irregular: the Appeals Tribunal Secretariat falls under Provincial Treasury headed by Sipho Shabalala, who also forwarded the decision of the BAT to the Minister under his signature and seeking the Ministers ruling to the judgement/ findings of the BAT. Prior to the Minister approving same (30 August 2007), Shabalala has sent a personal sms to Intaka commenting on the Appeal hearing. This reflects on the personal relationship between Savoi and Shabalala and the impartiality required of the latter, to the detriment of the Department and the 3 Appellants. K29B/1  
K29B/2  
K29/58-59
- 9.094 We requested clarity from Mandy du Toit on issues we had identified in the Appeal process. I attach hereto our questions to her and her reply, for ease of reference, however will only refer to significant replies: K29A
- 1) The e-mail to Sally Crichton on 7 August 2007 with regard to the hearing taking place on 20 August 2007, was sent out on instruction of Mr Mlangeni, Acting GM at the time and if her memory served her correctly the instruction K29A/1

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came via the HOD (Mr Shabalala) on instruction of the MEC (Dr Z Mkhize).

The 15 August 2007 may have been a date that the MEC/HOD found suitable (for the hearing), but the BAT members were not all available, hence it was set down for 20 August 2007.

- 2) She provided us with an e-mail sent to the Chairperson of the BAT dated 13 August 2007 (one week prior to the hearing that was held on 20 August and not 15 August) wherein she stated the following with reference to the appeal in question *"there is an urgent matter for Health that they want expedited"*. K29A/28
- 3) The matter was initially set down for 15 August 2007 per Notice of Set Down dated 13 July 2007. However, she could not get all the members of the BAT together for this date and the matter was subsequently set down for 20 August 2007 per Notice of Set Down dated 14 July 2007. She was unable to provide documentary evidence that the notices were sent out to the Appellants, hence that they were informed timeously of the hearing, being one of the complaints lodged by Myriad Medical. K29A/1  
K29A/5  
K29A/7
- 4) She vaguely recalled a telephonic conversation was held with an official of Myriad Medical wherein they indicated that they may still withdraw their appeal and hence her note to Mr Francis and other members of the BAT. She confirmed passing on Myriad Medicals letter received on 15 August 2007. The BAT should not ignore any information passed onto them, but the fact that Myriad Medical indicated they may withdraw was important since they were not at the hearing. K29A/2
- 5) The Department of Health was responsible for replying to Myriad Medicals request (I dispute this as the request was addressed to the BAT and not the Department), but she was unsure whether this occurred as Myriad Medical were not present at the hearing. K29A/3

**Interview with Chairperson of the BAT**

- 9.095 We interviewed the Chairperson of the BAT Mr Mathew Francis. He confirmed that he was the Chairperson of the Bid Appeals Tribunal in question. He stated that he is appointed by the Minister of Finance and that the BAT acts independently of Provincial Treasury and the Department of Finance. He was not aware of who was

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putting pressure on the BAT Secretariat to expedite the hearing, as he received a date from the Secretariat (Du Toit) and confirmed the date based on his and the other members of the BAT's availability. It was pointed out to him that we have identified a number of findings in the judgment that are incorrect and of most significance is that the letter and attached documents of Myriad Medical dated 14 August 2007 was excluded from the judgment in totality. He informed us when we showed him the document in dispute that he could not say whether he had seen it or not. However, when we informed him that it was not referred to in his judgement at all he said it appeared strange as he would in the normal course of events include such a document and refer to it in his judgement. He added that the content of the document was of such a nature that it would have impacted on the judgment. He then concluded that he probably had not seen it. It was also put to him that some of the information presented to the Tribunal by Mr Mthethwa from Treasury on behalf of the Department of Health was false and that this coupled with the non-consideration of the Myriad Medical letter dated 14 August 2007 created significant doubt about the findings of the Tribunal. He agreed that the BAT process had been manipulated and that he felt "dirty" being part of this process.

K29/40-46

**11) Issues raised by the Departments Chief Specialist Anaesthesiologist with Dr Nyembezi**

.096

On 13 July 2007 three of the Departments Chief Specialist Anaesthesiologists, based at Ngwelezane, Greys and Inkosi Albert Luthuli Hospitals, sent a letter to Dr Nyembezi citing amongst other things the issue of the Oxygen being required to be subject to a licence in terms of Section 22c of the Medicines and Related Substances Act, Act 101 of 1965. They concluded that in order to reduce certain risks it is advisable that any installation of Oxygen Concentrators should be inspected and commissioned jointly by the Health Technology Services and Engineering Services before being placed into operation. This commissioning should be witnessed by themselves and the licensing be verified by Pharmaceutical Services.

K30

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**12) Enquiry from Ntshangase with the Registrar of Medicine**

- 9.097 On 16 August 2007 Ntshangase sent an enquiry to the Registrar of Medicines with regard to the Registration of Medicinal Air and Oxygen. He states that the Department advertised a bid for the supply of Oxygen and it is now in the process of evaluating the bid for the supply of Oxygen to the institutions within the KwaZulu-Natal Province. This is incorrect, as Ntshangase had as Chairman of the BEC recommended to the BAC that the tender be awarded to Intaka as the only bidder who fully complied with the specifications, in terms of the minutes of the BAC dated 27 June 2007. Ntshangase had also held an informal meeting with the BAC on 22 June 2007 where the issues were resolved. This was approved by Buthelezi and validated by Dr Nyembezi on 26 June 2007. The tender award had also subsequently been appealed. Hence, the process was beyond "evaluating the bid" and Ntshangase had mislead the BAC into believing Intaka had complied fully with the specifications. K31

**13) Recommendations of the Bid Appeals Tribunal**

- 9.098 The approval of the Minister of Finance and Economic Development of the Bid Appeals Tribunal Findings was disclosed in terms of a letter sent to Intaka by the Department on 11 September 2007. On 26 September 2007 Intaka replied to the Department and undertook to start working on their rollout plan in order to ensure compliance with their tender obligations. At this stage there was no formal agreement in place as resolved by the TAC in their meeting of 27 June 2007. On 4 October 2007 Westwood sent a letter to SCM as Infrastructure Development had no knowledge of the award of the tender and significantly "*the installation of these units requires a certain engineering standards which this office would need to ensure compliance*". K32/1  
K32/2-3  
K33

**14) A Memorandum from Ntshangase to Legal Services dated 2 September 2007**

- 9.099 On 2 September 2007 Ntshangase sent a Memorandum to Legal Services. In terms L1

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thereof he attached a copy of the bid documents of the successful bidder, the Copy of the Specification and Minutes of the Departmental BAC. We determine that the documents that are attached are the following that were previously discussed in this report :

- |   |                    |
|---|--------------------|
| 1) A copy of an unsigned letter and the Submission prepared and submitted to the BAC on 25 June 2007. This is relevant to 25 hospitals only.                            | K20-K21            |
| 2) The Technical Report prepared by Halvey. It does not contain any changes envisaged by Westwood.  | K22/1-2<br>K22/3-4 |
| 3) Tables comprising 25 schedules of comparative bid prices (for phase 1 as envisaged by the BEC) detailing Intaka's bid price and Insmed's bid price where applicable. | K23                |

He requested the assistance of Legal Services in finalising a service level agreement "expediously".

**15) Report on meeting held with Intaka on 10 October 2007**

9.100 The report in question (unsigned) reflects that Ntshangase and Deonundhan of the Department attended a meeting with Raoul De Lange and Cesar da S Alexandre of Intaka. Deonundhan informed us that she prepared the report. Issues of significance are :

- 1) Intaka are going to be MCC certified in November (I assume 2007).
- 2) In respect of the Passive system of a backup, the bid requires the filling of cylinders from the PSA for primary use, and it was the intention of the Department for 1 company to provide the entire system being cylinders and back-up. Intaka it would appear disputed this and agreed to supply diesel alternators only when there is an electricity problem, and that the Passive system as a back-up is a decision that needs to be addressed by the Department. I earlier referred to the back-up system being a requirement in terms of the bid specification. It is apparent they now disputed they were responsible for the back-up.
- 3) In respect of the Oxygen Peak Flow discussions centred on whether to use the monthly consumption, average monthly consumption or the peak flow consumption. This had to be done in order to correctly size the plants.
- 4) In respect of the Oxygen gas complying with ISO 10083 it was recorded that

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Intaka does comply with ISO 10083 and that the analysis must be an addendum to the contract.

**16) Site visits conducted by Intaka and differences between the average monthly consumption as detailed in the tender document as to actual consumptions as determined by Intaka**

9.101 Following the said meeting Reka Deonundhan sent out e-mails to various hospitals, dated 10 October 2007. The e-mails refer to the fact that the quantities in terms of the oxygen consumption as provided in the tender documents vastly differs with that as provided at the site inspection conducted by Intaka. Attached is a spreadsheet reflecting the tender document quantities and a "site visit Oxygen consumption". It has been reported to us by Deonundhan that the said list was handed to her by Ntshangase, as the figures differed and she was requested to obtain actual figures from hospitals in phase 1 only. She did so by sending e-mails to the hospitals in question. The replies she received are referred to in the attached e-mails and summarised in the table below. I am unable to determine what the Benedictine and Ladysmith reply means and have excluded it from the table. It is however evident that there was differences in the 3 sources that gathered the information and in particular King George V and CJ Crookes, where Intaka's figures are approximately 90% and 120% respectively higher than the amounts provided by the 2 hospitals.

K35

Hospital	Bid Specs doc (kg)	Intaka site visit (kg)	Hospital reply (kg)
Nkonjeni	1,100	2,450	2,417
Charles Johnson	2,400	4,400	3,876
Nkandla	820	1,150	1,153
Eshowe	7,500	9,000	9,050
King George V	3,600	15,000	8,000
St Aidens	1,400	2,000	1,600
Port Shepstone	14,900	16,000	12,000
CJ Crookes	8,300	29,000	13,000

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Handwritten marks: a large 'J' and a large 'M'.

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**17) E-mail from Dr Barrett, Chief Anaesthesiologist, Ngwelezane Hospital to Dr Mbele dated 10 October 2007**

- 9.102 On the same day Ntshangase was holding a meeting with Intaka as referred to in sub- paragraph 15) above, being 10 October 2007, Dr Barrett sent an e-mail to the new HOD Dr Mbele, titled "*Concerns PSA letter to HOD*". He referred to their letter of 13 July 2007 that was sent to Dr Nyembezi, however they did not receive any reply from Dr Nyembezi other than the matter was receiving her attention and that she would revert to them shortly (a copy of this reply was located in the file maintained by the Office of the HOD). He added that he considered the matter urgent as the tender had already been awarded. We interviewed Dr Barrett and Dr Farina and they confirmed that they did not receive any reply from Dr Mbele. K36/1 K36/2-3 K36/4
- 9.103 Attached to this e-mail is an article recorded as an "*extract from Medical Chronicle September 2007*". The article commences with the MCC being urged to step in after several provincial health departments allowed the installation of unregistered oxygen supply units at hospitals. It went further to say that the Pressure Swing Absorption (PSA) or on site units, manufactured by a Brazilian company, Intaka Tech, hasn't been registered with the council. The article went further in describing the current status in the provincial health departments. It concluded that PSA's certainly have a place in the supply of gases to hospitals, but only under the correct standards and processes and with appropriately engineered back- up. The industry's concern is that all of these factors have been blatantly ignored and that it might be only a matter of time before a catastrophic failure results in the death of hospital patients. K37

**18) A Memorandum from Ntshangase to Dr Mbele dated 29 October 2007**

- 9.104 On 29 October 2007 Ntshangase sent a Memorandum to Dr Mbele and referred to a meeting held on 25 October 2007. He also referred to a letter received in the interim from Southern Africa Compressed Gases Association, which had been previously sent to Dr Nyembezi, in which they raised concerns on safety to hospitals, staff and patients with regard to on-site manufacture and delivery of bulk oxygen at various institutions. He further referred to the Technical Report (of Halvey) and the report L2/1-8 K22/1-2

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following the meeting with Intaka on 10 October 2007. He adds that more work still needs to be done with regard to the bid and requested the HOD's advice going forward. On 31 October 2007 Kantha Padayachee sent a memorandum to Ntshangase and copied it to Dr Mbele. She raised her concerns with regard to Ntshangase's handling of the matter and information was not placed before the BEC and BAC in the evaluation and award of the tender, as patient safety issues "surely could not have been overlooked". She concluded that she awaited confirmation of the scheduled meeting with the SA Compressed Gases Association, and that she was of the view that the HOD, COO, CFO, Mr Mbangwa from the MEC's office as well as the relevant clinical heads be invited to attend this meeting. She further added that in the interim, as discussed with the Acting HOD on 25 October 2007, the company awarded the tender should not commence with any work until concerns have been addressed and the relevant contract drafted.

K34

L2/9

**19) Unsigned "Preventative Maintenance and Component Replacement Agreement" between Intaka and the Department**

9.105 We were provided with a copy of the said document. Section 5 Maintenance Service Charges details the costs involved and for which the Department would have been liable had the agreement been agreed to and signed. I earlier in the report referred to the maintenance of the Oxyntaka plants being included in the Bid Specification document and to be provided by the successful bidder at no additional cost to the Department. The Department never agreed to this and argued that it was Intaka's responsibility, which was finally accepted by Intaka. I will again refer to relevant documentation later in this report.

K38

**20) Edited Agreement between Intaka and the Department**

9.106 We located an edited version (unsigned) of an Agreement between Intaka and the Department in the files maintained by Legal Services. The following formatting is noticeable and relevant:

L3

1) Section 3.2 has been added that impacts directly on the relevance and

L3/3

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importance of the Bid Specification document taking preference. This will be discussed in more detail when referring to the signed version in sub- paragraph 22) below.

- 2) Section 4.1.4: the words "as per the Bid Specification document has been handwritten". L3/5
- 3) Section 4.1.5: the word "guaranteed" and the last sentence commencing "shall constitute.....by the rental price", have been deleted. The following has been handwritten "shall be calculated on the minimum usage, indicated in the Bid Specification Document marked annexure C". L3/5
- 4) Section 4.1.6: the word "guaranteed" (on 2 occasions) and the last sentence commencing "each of the schedules..... Guaranteed Minimum Rental", have been deleted. The following has been handwritten: "Bid Specification Document attached hereto as annexure C". L3/5
- 5) Section 12.2.5: the word "guaranteed" has been deleted on 3 occasions. L3/10

**21) E-mails from Kantha Padayachee to Ntshangase, Dr Mbele and others prior to the signing of the Agreement between Intaka and the Department.**

- 9.107 An e-mail dated 15 November 2007 from Kantha Padayachee to Ntshangase and copied to Buthelezi she referred to comments to the agreement. She also referred to comments required from technical experts (mechanical engineer and anaesthetist/ relevant medical personnel) and that the CFO (Buthelezi) should look at the clauses with financial implications as outlined in her previous memorandum of 2 November 2007 (not provided to me). An e-mail dated 26 November 2007 from Kantha Padayachee to Dr Mbele, copied to Buthelezi and Ntshangase, she refers to: L4/1
- 1) She redrafted the Agreement based on the Bid Specification document;
  - 2) Ntshangase had indicated that he had an anaesthetist report, which she had not seen;
  - 3) She had included the Bid Specification document to ensure that the Department was covered in terms of specific conditions;
  - 4) Ntshangase was to clarify the maintenance aspect as she understood this was the contractors responsibility in terms of the Bid document;
  - 5) She has forwarded the maintenance agreement to Westwood as she could not
- L4/2

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comment;

- 6) Rietvlei Hospital had a separate agreement and should not be included in this agreement;
- 7) She requested comments that may assist her in finalising the agreement, particularly from a technical aspect.

- |       |  |                    |
|-------|--|--------------------|
| 9.108 | An e-mail from Raoul De Lange of Intaka to Kantha Padayachee dated 4 December 2007. He refers to a further mark-up of the Rental Contract together with a marked-up copy of the Maintenance Agreement. He also includes: " <i>the schedules will follow shortly</i> " and then attached the schedules in a letter e-mail sent later on the same day. | L4/3<br><br>L4/4   |
| 9.109 | An e-mail from Kantha Padayachee to Ntshangase dated 10 December 2007. The contents thereof are self-explanatory; Intaka are alleging to be in compliance with ISO 10083; the Bid Document appears to be in conflict with the purity as reported; and the responsibility of the maintenance had not been concluded that she required clarity on.     | L4/5               |
| 9.110 | An e-mail from Kantha Padayachee to Sarah Drake dated 13 December 2007 is titled " <i>Intaka Agreement schedule 12 12 07</i> ". Attached is an annexure B and Schedule to Annexure B. The table at the schedule makes provision for amongst others: "Minimum usage" and "Minimum Rental", and makes no reference to "guaranteed".                    | L4/6-8<br><br>L4/8 |
| 9.111 | An e-mail from Raoul De Lange to Kantha Padayachee dated 18 December 2007, he has requested advice as to the quantity that she wished to include as a "minimum quantity". She requested he request the information from Ntshangase the following day.  | L4/9<br><br>L4/9   |

**22) Agreement between Intaka and the Department**

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|-------|--|-----|
| 9.112 | On 13 December 2007 an Agreement (the <b>Oxyntaka Agreement</b> ) was entered into between Intaka represented by Fernando Praderi and the Department represented | K39 |
|-------|--|-----|

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by Dr YL Mbele. I will refer to relevant sections of the Oxyntaka Agreement and discuss the same where applicable:

- 1) Section 2.3 : *"The Lessee (the Department) conducts the business of health care services and wishes to enter into an agreement for the lease and maintenance of Oxyntaka oxygen manufacturing units to be installed at the hospitals situated at the locations stipulated in Annexure "B" hereto as the operating premises following the award of Tender Number: ZNB 7295/2006- H to the Lessor (Intaka Tech (Pty) Ltd) on 11 September 2007".* I have already referred to the letter sent to Intaka confirming the award of the tender to them following the appeal tribunal process. "Annexure B" to the Agreement consists of 2 pages and a "Schedule to annexure B" In terms thereof the schedule will be used as a sample document, to be completed by each hospital for the purposes of indicating:
  1. Commencement date.
  2. Lease Period.
  3. Date of Termination.
  4. Minimum Usage.
  5. Rental Price as quoted in the tender document.
  6. Minimum rental as indicated by the Bid Specification document marked annexure "C".
  7. Proportional rental
- 2) It adds further that annexure B will form part of and be governed by the master lease agreement entered into between the 2 parties, and lists 51 hospitals that are included in 3 phases (Stanger and Taylor Bequest Hospitals do not appear on annexure B). The Schedule to Annexure B consists of 1 page only, is blank and has not been completed at all. Further, there is no reference to "minimum rental" in the Bid Specification document marked annexure "C", as recorded in sub- paragraph 6. above. As previously stated the Department provided "an average monthly consumption (kg)" for each hospital in Part B of the Bid Specification document.
- 3) Section 3.2: *"The annexures to this main agreement shall be read as if incorporated herein provided that if there is a conflict between this main agreement and the annexures the meaning of the main agreement shall take*

K39/2

K32

K39/22-23

K39/24

K39/22

K39/24

K39/3

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preference, except where the specifications, marked as Annexure "C", contained in Part A of the Bid Specification document under Bid Number ZNB 7295/2006H, pages 1 to 26 inclusive, apply, or unless the context expressly otherwise indicates". There appears to be a conflict with regard to what exactly is "minimum rental", as Annexure B to the Agreement refers to "minimum rental" as indicated by the Bid Specification document marked annexure "C", but it is in fact not referred to in annexure "C" at all. The "average monthly consumption (kg)" is also not referred to in part A of the Bid Specification document, pages 1 to 26 only, but in part B, that has been initialled and included as part of the main agreement.

- 4) Section 4.1.6: *"Minimum Rental shall be the minimum amount of rental payable by the Lessee to the Lessor each month and shall be calculated on the Minimum Usage, indicated in the Bid Specification Document, marked annexure C".* The Bid Specification document does not make reference to "Minimum Usage" at all. Quantities are specifically discussed under Section 3.5 of the Bid Specification document and it does not make reference to "minimum usage". As previously stated "average monthly consumption" is referred to in the tables at Part B to the Bid Specification document. K39/5
  
- 5) Section 4.1.7: *"Minimum Usage means the monthly usage as stipulated in the Bid Specification document".* I have already discussed this in 4) above, and in addition there is no reference to "monthly usage" in the Bid Specification document. Further, "monthly usage" cannot be interpreted as "average monthly consumption". K39/5
  
- 6) Section 4.1.11: *"Proportional Rental means the amounts payable in addition to the Minimum Rental by the Lessee to the Lessor monthly, and as determined for each hospital, the Rental Price by the actual quantity of oxygen consumed by that hospital in excess of the Minimum Usage; for the purposes of this Agreement, the Proportional Rental and Minimum Rental shall collectively be referred to as the Rental".* I have not been able to determine what the "Minimum Rental" is as discussed in 4) above, however it is apparent that the Department would be liable for the actual amount of Oxygen consumed in excess of the "Minimum Usage", that I have not been able to determine based on the contents of the Main Agreement and Annexures thereto. "Rental Price" will be discussed below. K39/6

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- 7) Section 4.1.13: "**Rental Price means the price as indicated in the schedule to Annexure B hereto for each hospital as being payable in respect of the Minimum Usage and every kilogram of oxygen consumed by the relevant hospital in excess of the Minimum Usage**". I have already referred to the fact in 1) and 2) above that the Schedule to Annexure B consists of 1 blank page only and not 52 Schedules completed for each hospital, reflecting vital information that includes: "**Minimum Usage; Rental Price quoted; Minimum Rental; and Proportional Rental**" per hospital. K39/6
- 8) I am unable to determine what the Department had agreed to pay Intaka, based on the definitions provided as discussed above and the incomplete Schedule to Annexure B. It is my submission that the Agreement conflicts with the annexures and therefore the Bid Specification document takes preference. The Bid Specification document provided "average monthly consumptions (kg)" per hospital. This cannot be interpreted to be "minimum usage" or "monthly usage". It has been reported to us by Westwood who compiled the said Bid Specification document that the "average monthly consumption (kg)" was provided as a guide in order for the potential bidders to determine the size of the plant that would be required at any given hospital. He further added that these quantities were not provided as some form of guaranteed quantities. This is supported in: Section 3.5 Quantities of the Bid Specification document, in 3.5.2 "**As a result of the above bidders are to note that implementation quantities are not guaranteed**"; Section 3.5.4: "**Load Profile is estimated as follows**"; and Section 3.5.5.1: "**The peak consumption as estimated above is merely an educated guess**". In addition the Bid Specification document is clear and unambiguous in so far as payment is concerned: Section 7 Payments is applicable: 7.2: "**All payments shall be made to the contractor, monthly in arrears based on the amount of kilograms consumed**". I wish to emphasis the words "**based on the amount of kilograms consumed**". There is no reference to minimum or monthly usage and it was always the intention of the Department to pay for the actual amount of kilograms consumed. This was confirmed by Westwood and various members of the Bid Specification Committee, BEC and BAC, who adjudicated on the awarding of the tender. This is further absolutely clear in 7.3: "**The contractor shall submit to the hospital an invoice on the day following the last day of the month of usage, which**" K39/36  
K39/36  
K39/37  
K39/49
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- shall stipulate the actual quantity of oxygen used". I do not believe this requires any further explanation, other than to repeat the main Agreement is in conflict with the Annexures thereto and specifically the Bid Specification document that takes preference in such a case.* **K39/49**
- 9) Section 7.1 Makes it a provision of the Agreement for Intaka to comply with all necessary and applicable statutory and regulatory aspects in all respects relating to the registration of the EQUIPMENT, it's accessories and its products including the self generated oxygen and medical air as provided for in Annexure C **K39/7**
- 10) Section 18.3: *"the Lessor shall ensure that the EQUIPMENT installed in terms of Annexure B will supply medical oxygen at 93% oxygen purity according to the USP26NF 21 standard, with a final concentration of 95% according to the above mentioned pharmacopeia".* The Bid Specification document required the following question to be answered in section 11.2: *"Does the oxygen enriched air comply with ISO 10083?"* Intaka's answer was "yes". A further question was: *"Does the equipment comply fully with the specification?"* Intaka's answer was "yes". The Bid Specification document and Intaka's bid makes no reference to "USP26NF-21 standard" and hence it is questionable whether the equipment to be provided by Intaka complied fully with the specifications, that required ISO 10083 compliance. **K39/14**
- 11) Section 18.4: *"The Lessor guarantees that the EQUIPMENT will be supplied with a back-up system as provided for in the Bid Specification Document: ZNB 7295/2006- H, annexed hereto as C".* I have already discussed the back-up system earlier in this report and specifically that it was the intention of the Department to eliminate the purchase of medicinal air and oxygen in cylinders due to the high costs involved, and further that the Department envisages having cylinders filled with medical oxygen from the Generating Units specified. However, the Agreement is clear in that the back-up system is "guaranteed". This is not ambiguous at all. **K39/14**
- 12) Section 23.3: *"This is the entire agreement between the parties. No variation hereof, the waiver of any right or the release from any obligation in terms of this agreement or consensual cancellation hereof shall be of force or effect unless reduced to writing and signed by the parties".* I earlier referred to the Schedule to Annexure B being blank and have not been completed for each of the 52 **K39/18**
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hospitals. Based on section 23.3 it would appear that once these 52 Schedules have been completed (reduced to writing) it is a requirement of the Agreement that they are signed by the parties. I will again refer to these schedules later in this report, however we only located 1 schedule that was subsequently completed and signed by both the parties.

- 9.113 I located a document (similar to the file note and e-mail of Sipho Shabalala referred to and discussed per annexure K29B to this report), it is titled "**FILE NOTE Sms sent by Peggy Nkonyeni to Dr Savoi on 14.12.2007 at 11:50**". The body of the file note reads: "*Doc! The contract was signed yesterday although your guys were not happy with maintenance and few other things buy they were cruched because of what was reflected in the bid document. Next time we'll have to be more careful and perhaps u need to cancel the donation since u r losing on maintenance, what do u suggest? Peggy*". It is evident that this is a personal message between Peggy Nkonyeni and Dr Savoi. She was aware of the contract being signed, that Intaka was liable for the maintenance (due to the Bid Specification document including same) and that she was conspiring with Intaka going forward to the detriment of the Department for which she was the MEC. I further obtained a copy of the diary of Buthelezi at the time obtained from his secretary. It relicts that he had a meeting at 10.00 am to 4.30pm on 13 December 2007 (the day the Agreement was signed) with the MEC at IALC Hospital (the venue where the Agreement was signed. Hence, Peggy Nkonyeni was scheduled to be at IALC Hospital on 13 December 2007 when the Agreement was signed. Kantha Padayachee reported to us that the MEC was in the same room where the Agreement was signed. We have been unable to conclude our interview with Kantha Padayachee or obtain an affidavit from her as she has been suspended from duty on another unrelated matter.

K39A/1

K39A/2

**23) Documentation relating to subsequent developments after the signing of the Agreement and issues regarding Intaka's responsibilities in terms of the Agreement and Bid Specification Document**

- 9.114 Following the signing of the Oxyntaka Agreement a number of issues arose regarding Intaka's responsibilities in terms of the Agreement in question and the Bid

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Specification document. I will briefly refer to these documents.

- 1) The minutes of a meeting held on 31 January 2008 between officials of the Department and Intaka with regard to the installation of the plants, reflect the purpose of the meeting was to ensure *"all the installations comply fully with the original bid"* which included compliance with the standard KZN Medical Gas Specification. A copy of this document was handed to one of the Intaka representatives present. K40/1-2
- 2) A letter to Intaka from Westwood dated 4 February 2008 refers to a meeting of 1 February 2008 (not 31 January 2008) and to one important aspect that was not covered in the meeting but is deemed essential in ensuring the success of the rollout; being the procedure that needs to be adopted when commissioning the units: *"It is imperative that a joint meeting be held with the Engineering Services Manager, Anaesthetist, Hospital Maintenance Supervisor and a staff member from Health Technology Services. Included in the commissioning must be a full explanation together with documentation detailing the functioning of the unit. The purity of the oxygen must be measured and recorded by Health Technology services and witnessed by all parties mentioned above"*. K40/3
- 3) An e-mail from Dr Barrett to Dr Mbele dated 5 February 2008 concerning previous concerns not addressed by her and a further concern with regard to electrical supply to hospitals. K40/4
- 4) An e-mail from Kantha Padayachee to Westwood dated 14 February 2008 refers to an attached document received from Intaka and she has requested Westwood confirm the contents thereof are in order and in the Departments interest. In the attached Intaka letter (undated) addressed to Kantha Padayachee they refer to clause 18.4 of the Agreement and an e-mail of 4 February 2008. In summarising Intaka have agreed (with Halvey's technical evaluation) that the passive back-up system currently being supplied by the Departments incumbent supplier (I assume AFROX) be retained and that Intaka shall ensure that their PSA units feed into the same supply back-up line. Intaka further undertook to provide generators to those hospitals facing inefficient capacity. They conclude that the "necessary schedules" as contemplated by the Agreement (schedule to annexure B) will be prepared by Intaka in respect of Phase 1 and forwarded to Kantha L5



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Padayachee.

- 5) Westwood replied to the above e-mail from Kantha Padayachee the same day. In respect of the emergency electrical generating sets, he states that he has advised Intaka of the 4 sites in Phase 1 that require same; whilst in respect of the passive back-up, Westwood states that it is essential that these remain *"as it is the only guarantee for patient safety in the event of self-generating oxygen plant failing to produce oxygen for whatever reason"*. He questioned who would be responsible for the payment of oxygen from the back-up system i.e. Intaka or the Department. Kantha Padayachee replied the following day 15 February 2008 *"my view would be that as Intaka is taking over the provision of the service, it should be Intaka that will ensure any backup where necessary and the cost should be borne by Intaka where backup is used"* L6
- 6) A letter from AFROX dated 10 March 2008 addressed to the District Manager, Uthungulu District, placing on record that AFROX cannot be held accountable for death or injury to patients caused in the event of the PSA (Oxyntaka plants) failure occurring and AFROX not having sufficient bulk or cylinder medical oxygen to provide back-up. Hence, the said letter and situation related specifically to the back-up issue and the installing of PSA units *"without appropriate back-up systems and processes"*. K40/5-7
- 7) An e-mail from Dr Barrett to Westwood dated 9 July 2008 reminding him that oxygen is subject to licence under Section 22c. He further requested a copy of the MCC licence for all oxygen concentrators in area 3 hospitals (his area) before these units are commissioned. K40/8
- 8) A Memorandum from Miss S Moonsamy, Deputy Manager, Legal Services to Dr Mbele dated 11 July 2008, refers to a meeting between the Department and Intaka on 10 July 2008. This document is important as a number of issues with the Oxyntaka Agreement, not previously resolved have been discussed and reported on and specifically *"Whether or not Intaka is obliged to supply back-up oxygen to the Department, in the form of oxygen-filled cylinders, in the event that the primary supply of oxygen is interrupted for any reason"*. Intaka argued *"that there was no provision in the Contract (Oxyntaka Agreement) for Intaka to supply back-up oxygen and that the Department should negotiate a contract with Afrox or Liquid air to supply the cylinders which can link up to"* L7

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*Intaka's system". Legal Services indicated that the contract does provide that it is Intaka's responsibility to supply the back-up oxygen; they referred to clause 18.4 of the Oxyntaka Agreement and Items 6 and 7 of the Bid Specification document in support of their argument. Intaka also referred to clause 21.6 of the Agreement relating to a breach of the contract by Intaka, but the Department required the back-up supply of oxygen to be available at all times, and hence a breach would not resolve the issue. Two further issues were discussed namely:*

*Commencement date of the contract; and Legal Compliance with the MCC, none of which appear to have been resolved and agreed upon. The Memorandum concluded on the way forward and based on the fact that Dr Mbele was present, I assume she authorised the way forward, which effectively freed Intaka from responsibility of the backup system and all associated financial implications, and placed the Department in a worse position than was envisaged at the time the Oxyntaka Agreement was signed. I believe it is necessary to report on the way forward as the decision was taken contrary to the Departments Legal Services advice: **"Despite Legal Service's indication that the contract provides that Intaka should provide the back-up oxygen, the meeting resolved that the Department would look into accessing a National Treasury Tender for the supply of oxygen and source a service provider in this way. The***

***Department also requires oxygen cylinders for its emergency vehicles and in other areas as well. The meeting resolved that SCM undertake a costing exercise to establish what the financial implications would be for the Department to rent cylinders for the back-up supply of oxygen and to look into the Department accessing the National Treasury Tender in this regard and provide the Acting HOD with the timeframes within which this can be achieved. The meeting also resolved that Intaka could not commence with making their units operational at institutions prior to the Department resolving the issue of the cylinders and the supply of back-up oxygen. Intaka indicated that it would, however, continue installing its units at institutions".***

- 9) Kantha Padayachee forwarded the Memorandum of Ms Moonsamy to Dr Mbele on 21 July 2008. She concurred with Ms Moonsamy's interpretation of the Agreement supported by the Bid Specification document. She argued further that

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the contract can now not be unilaterally interpreted by Intaka to indicate their own understanding of what a back-up system entails. She pointed out further that the contract was entered into to capture the common intent of both parties and it was certainly not the Department's intention to supply back-up cylinders with oxygen. She requested Dr Mbele's instruction in this regard.

- 10) Dr Mbele's office only replied on 18 August 2008 (approximately 1 month after Kantha Padayachee requested directive going forward) that Dr Mbele wanted to discuss the "cylinders" clause. L9
- 11) A Memorandum from Westwood to Mr Z Ndlela (Head Infrastructure Development at the time) dated 6 October 2008, advising him of the status of the commissioning of the Oxyntaka plants. *He referred to "other outstanding items which are not of a technical nature include:*
1. *Who is responsible for the provision of the passive backup system and how will it be procured?*
  2. *Whether it is a requirement for registration with the Medical Control Council?*
  3. *SCM has not notified each hospital of the cost implication of this contract.*
- 12) An e-mail from Raoul De Lange to Ntshangase dated 9 October 2008 refers to a meeting of 6 October 2008 and an undertaking by him to provide the Schedules relevant to Phase 1. The remainder of the e-mail is self-explanatory. Attached to the e-mail are 15 x Schedules to Master Lease Agreement completed but unsigned. Ntshangase forwarded the e-mail and the Schedules to Reka Deonundhan and requested she has the Schedules signed by the HOD, and copied it to De Lange on 14 October 2008. The latter then forwarded both e-mails to Kantha Padayachee on 16 October 2008. L10/1  
L10/2-16
- 13) A Memorandum dated 10 October 2008 from Kantha Padayachee to Dr Mbele once more raises the common unresolved issues. She refers to an Intaka letter dated 1 October 2008, that we were not provided with. However, of significance is: Intaka continued to deny their obligations in terms of the back-up system; Ntshangase had not performed a costing exercise for the back-up and the Department accessing the National Treasury Tender in this regard; Intaka was no longer prepared to wait until the Department had sourced alternate oxygen cylinders before "switching on" (commissioning) their units; and Intaka still maintaining that they do not have to be registered in terms of the MCC. Kantha L11

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- Padayachee has made recommendations that appear to have been agreed to by Dr Mbele, based on her handwritten directive. On 23 October 2008 Kantha Padayachee referred the matter to Ntshangase as per Dr Mbele's directive and also referred to his meeting with Intaka on 7 October 2008. L12
- 14) A Memorandum from Deonundhan to Ntshangase dated 21 October 2008 that relates to the schedules (Schedule to Annexure B of the Oxyntaka Agreement) being completed by Intaka and forwarded to Legal Services for vetting prior to being sent to the HOD for signature. I previously reported that these Schedules were not completed or signed at the date of signature of the Oxyntaka Agreement (13 December 2007) and that it was not clear what the Department had agreed to pay for each hospital based on "minimum quantity". This Memorandum would indicate the said Schedules had still not been signed more than 10 months after the agreement was signed and during which time Intaka had installed Oxyntaka plants at 13 hospitals. K40/11  
K39/24
- 15) A letter from Dr Mbele to Intaka dated 24 October 2008 advising them that all aspects with regard to the safe operation and functioning of the plants (at 13 hospitals) have been complied with and that Intaka are authorised to place the 13 plants at the hospitals referred to in the letter into service. K40/9  
K40/12
- 16) A letter from Intaka to Dr Mbele dated 3 November 2008 in response to her letter dated 24 October 2008 and the fact that per the meeting they will proceed with phase 2. K40/13
- 17) A Memorandum from Ntshangase to Dr Mbele dated 20 November 2008 with regard to the signing of the Schedules to Annexure B of the Oxyntaka Agreement and that Intaka has completed the schedules. We were not provided with the Schedules referred to in the memo, reflecting what the Department was obliged to pay per hospital, as determined by Intaka. K40/14
- 18) A letter from Intaka to Westwood dated 15 December 2008, with regard to amongst others the issue of who was responsible for the supplied of diesel for the back-up generators. Intaka made reference to the Oxyntaka Agreement is justifying their view that they were not responsible for providing the diesel in question. K40/15-17
- 19) On 19 December 2008 Westwood sent a memorandum to Mr Z Ndlela advising him of the status of commissioning. He once more referred to "Other outstanding K40/18-19
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*items which are not of a technical nature include:*

1. *Please see attached letter from Intaka Tech with regard to the provision of diesel for the 6 generating sets which they have provided as the existing generator could not take the additional load of oxygen concentrator. I do not agree with the Nashua example as I am of the opinion that the end product we are paying for is oxygen per kilogram and Intaka must ensure they provide the oxygen 24 hours a day, 365 days a year and these 6 Intaka generators are deemed to be part of the production process. Please could legal services advise on this matter? See attached extract from the tender specification.*
2. *Who is responsible for the provision of the passive backup system and how will it be procured?*
3. *Whether it is a requirement for registration with the Medicine Control Council?*
4. *The hospital management has still not been notified by SCM of the cost implication of this contract".*

Westwood also asked whether Phase 2 was going to proceed and if so he requested a discussion with Mr. Ndlela as he had some concerns with the installation in the larger hospitals.

20) On 24 December 2008 Mr Ndlela sent Westwood's report and questions (excluding the financial implications as this was not a legal issue) to Legal Services, Kantha Padayachee and marked it "URGENT PLEASE". K40/20-21

21) On 30 December 2008 Legal Services advised Mr Ndlela as follows: K40/22

1. *"Provision of diesel to Intaka Generator sets:*  
*We agree with your analysis, as the specification provides for "a complete working system". Intaka must therefore meet the contractual obligations, please note that I included the tender specification document to be read with the contract, as our specifications were badly drafted and not applied uniformly when the bid was awarded to Intaka.*
2. *I am of the view that Intaka is responsible for the back up system, but Mr Ntshangase can advise you better in this agreement as there appears to be some deviation in this regard (of which I am unaware of). There was mention of National Tender for the supply of oxygen, which Mr Ntshangase is aware of, against my legal advice of Intaka obligations.*
3. *Again, Intaka continues to deny that it is obliged to register with the MCC. We*

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*have advised that it is mandatory for it to do so. Clause 7.1 of the agreement obliges Intaka to "comply with all applicable statutory and regulatory aspects." We have advised on the applicable provisions of the Medicines and Related Substances Act, 1965 and our advice is that Intaka must comply with the relevant legislation".*

Mr Ndlela has written on the memo: *"Mr Westwood and Mr Ntshangase for your attention"* and dated it 06/01/2009.

- 22) On 10 February 2009, Intaka sent a letter to Dr Mbele and referred to the status of delivery and installations of phase 2 and further requested Dr Mbele to sign and return the schedules for each of the hospitals *"sent some time ago to Mr VRM Ntshangase and approved by Ms Padayachee"*. The attached schedule reflects a further 8 hospitals to be commissioned during the period 5- 24 March 2009. K40/23-24
- 23) On 16 February 2009 Ntshangase replied to Mr Ndlela and referred to his correspondence of 12 January 2009 (we do not have a copy of this), however it is apparent that it relates to the letter of Legal Services dated 30 December 2008. K40/25  
 Ntshangase agreed with Mr Ndlela and Legal Services on the provision of diesel and the passive back up system being the responsibility of Intaka. He stated the following in respect of registration with the MCC: *"At the time of the tender, it was not a requirement for the registration with the Medicine Control Council. However, in view of the statutory changes, a response from the Chief Technical Advisor, Pharmaceutical Services is awaited. However, attached please find for your perusal a response from the Director General, National Department of Health"* (we do not have a copy of this). K40/22
- 24) On 16 February 2009 Westwood sent a Memorandum to Mr Ndlela recommending that until the issues of : the provision of diesel for the Intaka generating sets; the provision of the passive back up system; and the registration with the MCC, are resolved between Intaka and the Department the installation and commissioning of phase 2 be placed on hold. Mr Ndlela agreed with Westwood and requested Ntshangase comments. K40/26
- 25) On 16 February 2009 Dr Mbele sent a letter to Intaka informing them of the 3 issues as detailed by Westwood and advised them that phase 2 cannot commence until the issues were cleared up. The same letter in Legal Services K40/27  
L13



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file reflects the date as 18 February 2009. On 5 March 2009 Dr Mbele sent a letter to Intaka and referred to the said letter dated 18 March 2009. In terms thereof the issues raised in the letter between Intaka and the Department "have been resolved". I am unable to determine the basis upon which Dr Mbele came to such a conclusion. She further requested Intaka continue with the roll-out of Phase 2 and that the terms and conditions are as per the terms of the contract. Ntshangase's name and contact details have been provided in the event of any further queries. L14

26) On 6 April 2009 Mr CB Shabalala, Chief Technical Advisor: Pharmaceutical Policy and System Development, sent a memorandum to Mr Nduli, Acting GM, CSCM and copied to Mr Ndiela and Ms N Phillips, GM: Public Health Policy and System Development and he referred to documents attached. I will briefly refer to these documents in date sequence: K40/28

1. On 17 February 2009 the Director General sent a letter to Intaka informing them of the resolution of the MCC (Council Resolution B7 MCC31): K40/29-30

- i. *"The Pressure Swing Absorption (PSA) oxygen generating unit be classified as a medical device;*
- ii. *It is further recommended that:*
  - *The quality of the Oxygen generated by the PSA be monitored and controlled by the Responsible Pharmacist of the applicable hospital;*
  - *The product (Oxygen) produced by the continuous manufacturing process be considered a medicine as provided in terms of Section 14 (4) of the Medicines Act i.e. Extemporaneous compounding in terms of small scale manufacturing of medicines".*

2. On 19 February 2009 Prof I Moodley of Intaka sent an internal letter to Savoi. He referred to the letter of the Director General copied to him and his understanding of the resolution of the MCC was that it is therefore not necessary to register the preparation of oxygen as a medicine at each of the sites where the devices is installed. K40/31

3. On 26 February 2009 Mr Nduli referred the matter to Mr CB Shabalala and requested assistance in interpreting the findings of the Director General. K40/32

4. On 6 March 2009 the Director: Inspectorate and Law Enforcement for the Registrar of Medicines, MCC sent a further letter to Intaka, confirming the K40/33

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resolution referred to in the MCC letter dated 17 February 2009.

K40/29-30

5. Following this Mr Ndlela confirmed the following with Mr Nduli following their face-to-face discussion, as per the memorandum referred to earlier above:

K40/28

- i. *The Responsible Pharmacist at each facility will monitor the quality of the oxygen generated by the PSA Unit.*
- ii. *Intaka must supply Pharmaceutical Policy and System Development with a specification detailing the acceptable quality of the oxygen so generated particular the limits for impurities and other undesirable pollutants.*
- iii. *Intaka must undertake to supply the Responsible Pharmacist with the same specification document (as described in sub-paragraph ii above).*
- iv. *Intaka must undertake to calibrate the measuring equipment on a regular basis to ensure the integrity of the apparatus.*
- v. *It is not clear from the correspondence who will be operating the PSA. If our personnel are in any way involved, the Intaka must provide the requisite training.*
- vi. *Our Head Office component would welcome further discussion with Intaka to clear up a number of issues before production of Oxygen commences".*

- 27) On 9 April 2009 Miss Moonsamy sent a memorandum to Kantha Padayachee and referred to a meeting between Intaka and the Department held on 6 April 2009 in order to discuss the following:

L15/1-3

L15-4-8

- 1) Intaka's registration with the MCC;
- 2) The backup supply of oxygen in terms of the contract; and
- 3) The roll out of Phase 2.

The following is relevant as reported on in the memorandum:

- 1) MCC Registration: Westwood expressed concern that the Departments Pharmacists should monitor the quality of the oxygen when the Department is paying Intaka to provide the acceptable quality of oxygen. Ms Moonsamy advised that Intaka's units have been classified as a medical device and the oxygen produced is classified as a "medicine", therefore Intaka is responsible for compliance with the requirements of the MCC and its legislation in respect of the quality of the oxygen produced, whilst the Department would then

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monitor the quality in terms of its ordinary monitoring and evaluation processes in terms of the contract. Intaka attempted to debate this issue but the HOD reaffirmed Legal Services advice.

- 2) Back- up system: Legal Services had advised in the meeting in July 2008 that it was Intaka's responsibility; however it was decided at the said meeting that the Department would access a national tender for back-up, however Legal Services were unhappy with this as it was contrary to the provisions of the Agreement. ***"Ntshangase confirmed that he shared this view and that it was discussed with the tenderers prior to appointment that the successful tenderer would be required to provide passive back-up oxygen to ensure a constant supply of oxygen". "The CFO advised that if the other companies that tendered had tendered with a back-up supply within their price then the bids would not have been equitably considered because the understanding was that the back-up supply was included in the price"***. This issue was not resolved at the meeting as it was decided that the issue would be further discussed between Legal Services, SCM and Infrastructure, that Intaka would be informed in writing and Legal Services would prepare an addendum to the contract to clarify.
  - 3) Supply of Diesel: The CFO (Buthelezi) showed the meeting letters from the HOD dated 18 February 2008 and 5 March 2009, that indicated the Department would supply the diesel, he advised that he agrees and that the matter had been resolved.
  - 4) The donation of Units for 7 hospitals by Intaka: these units had not been installed at the hospitals in question; the procedure for donations had not to date been complied with; and the financial implications for maintenance of the donated units must still be addressed.
  - 5) 10% Escalation: Intaka threatened legal action, however the HOD advised that the Department was not solely responsible for the delay. Intaka were advised they need to apply to the Department and it would be considered by the Departments BAC. The meeting resolved that Phase 2 would be put on hold pending the outcome of the above issues.
- 28) The letter of the MCC to Intaka dated 17 February 2009, was thereafter sent to the MCC by Dr Mbele on 20 April 2009 questioning the responsibility for the

K40/29-30  
 L16/1-3

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- monitoring and control of the quality of the oxygen as the Department was of the opinion that it was Intaka's responsibility and not the Departments Pharmacists. The Department faxed the said letters once more to the MCC on 22 May 2009 as it would appear they had not received a reply L16/4-5
- 29) On 29 April 2009 Intaka sent a letter to Ntshangase informing him of an increase in the price of Medical oxygen to the hospitals. Also attached is a spreadsheet detailing: the name of the hospital; the minimum rental; minimum volumes (kg's); the price per kg recorded in their tender (15/02/2007); the 1<sup>st</sup> increase in price at phase 1 (01/11/2008); and the 2<sup>nd</sup> increase in price at phase 2 (01/05/2009). I wish to mention that we have not to date with the exception of Benedictine Hospital been provided with any document or individual schedule per hospital as contemplated in annexure B to the Oxyntaka Agreement, where the "minimum rental" and "minimum volumes" also referred to as "minimum usage" in the Agreement, have been agreed upon by and signed by both parties to the said Agreement. Intaka has asked the Department to "sign the attached Schedules to the Master Lease Agreement which reflect the new prices as detailed above for Phases 1 and 2 and return to us for our records. Included is the Schedule for Benedictine Hospital, which has already been approved by YL Mbele on 6 April 2009, as an example". The said Benedictine Hospital Schedule is to my knowledge the only schedule that was ever signed by both Intaka and the Department. The remaining 21 Schedules have been completed but signed by Intaka only and not by the Department. We compiled a spreadsheet detailing the quantities per the Bid Specification document described as "average monthly usage" as provided by the Department to the tenderers, and the "minimum volumes" per Intaka's spreadsheet dated 29 April 2009, which is now described as "guaranteed minimum usage" on the individual schedules attached. K41  
K41/4  
K41/26
- 30) On 3 July 2009 the MCC responded to the Department's letter of 20 April 2009 and the subsequent fax of 22 May 2009. They concluded that the appointment of an appropriate responsible Pharmacist is the duty of the compounding person, however they undertook to table the concerns of the Department at the MCC meeting to be held in August (2009) L16/1-3  
L16/4-5  
L17
- 31) On 8 July 2009 Mr Ndlela sent a letter to Ntshangase marked "URGENT PLEASE". He once more referred to the unresolved issues of the provision of a K42
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passive backup system and supply of diesel to Intaka electrical generating sets. He further referred to a meeting with Intaka and the Acting HOD on 6 April 2009, where it was resolved that a letter would be sent to Intaka by no later than 9 April 2009. He requested a copy of the letter together with the final resolution on the 2 matters. Attached are the minutes of the meeting of 6 April 2009. In summarising and in respect of the 2 matters in dispute the Department argued that Intaka was obliged to fulfil its contractual obligations including backup and diesel and Savoi of Intaka argued that they had received legal opinion and that the backup system is additional with additional costs.

- 32) On 24 July 2009 the Department sent the MCC another letter with regard to the Registration of Oxygen Generating Units, Council Resolution number B7, MCC 31. The history surrounding this issue was again repeated and reference was also made to a letter from AFROX addressed to the MCC dated 9 April 2009. The writer has requested a response from the MCC to the issues raised and their input into the AFROX letter. The MCC replied on 4 August 2009 and advised that the matter will be tabled at the MCC meeting of 14 August 2009, after which the Department would be informed of the outcome. L18  
L19
- 33) On 3 August 2009 Intaka sent a letter to the HOD at the time Dr Zungu and requested an urgent meeting with the HOD to discuss the 3<sup>rd</sup> phase of the installations. The said letter was then sent by the HOD to Mr Ndlela on 18 August 2009. K43/1  
K43/2
- 34) On 24 August 2009 Mr Ndlela sent a reply to the HOD. He summarised the status of the contract/ tender to date. It is evident the 2 issues: passive backup and diesel remained unresolved; the concerns of the Departments Chief Anaesthesiologists had not been resolved to their satisfaction (letter dated 13 July 2007 to Dr Nyembezi was attached); Mr Ndlela recommended an audit of the Phase 1 rollout to evaluate the cost effectiveness of the contract compared to bulk liquid oxygen and cylinder contract; and he concluded that further phasing be placed on hold until these issues have been dealt with. K43/2-7
- 35) On 4 November 2009 Intaka sent a letter to Dr Dlomo, MEC KZN Department of Health. They summarised the contract to date and that "*Intaka has become increasingly frustrated by the continuous delays in the installation of the Equipment that have been caused by KZNDOH*". They concluded by requesting K43/8-9

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the MEC intervene in the matter in order to expedite the finalisation of the installation of the Equipment, and *"in this regard KZNDOH must agree, as a matter of urgency, the roll-out of phase 3 followed by phase 4 and must complete and sign schedules to annexure "B" in relation to phase 1-3"*. I wish to point out and it is in accordance with my findings that the Department has never signed schedules to annexure B, other than 1 for Benedictine Hospital; this is admitted by Intaka in paragraphs 1.2, 1.5 and the last paragraph of their letter in question. Hence, apart from Benedictine Hospital there is no signed agreement to pay a specific *"guaranteed minimum usage"* for each of the hospitals.

- 36) The said letter was followed up by a letter from Edward, Nathan Sonnenbergs attorneys for Intaka dated 18 November 2009, that is self-explanatory and refers to their client's letter of 4 November 2009. K43/10
- 37) On 26 January 2010 Mrs L Naidoo, General Manager SCM sent a letter to the current HOD Dr Zungu, copied to the current CFO Mr Biyela and requested authority for the termination of the Oxyntaka Agreement, based on the Departments financial situation and the fact that the phases 3 and 4 were not approved since there was no report relating to the success of phases 1 and 2. L20



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**Documents seized by the SAPS from Intaka**

- 9.115 We reviewed the documentation and electronic records seized by the SAPS from Intaka. The documents discussed hereunder are relevant to the Oxyntaka Agreement. I have already referred to the Bid Specification document located in Intaka records, prior to the finalisation of same and the tender being advertised, and hence will not repeat same in detail. K4
- 9.116 Based on our review of Departmental records and interviews conducted I was satisfied that there is evidence that Dr Nyembezi sent the Bid Specification document to Intaka prior to it being finalised and before it went out to tender. Furthermore, the changes that Dr Nyembezi instructed van Der Merwe to make to the said Bid Specification document were consistent with the changes made on the Bid Specification document located at Intaka. This would suggest that Dr Nyembezi and Intaka colluded with each other in order to ensure Intaka would meet the requirements as detailed in the Bid Specification document. The most significant change was the complete removal of the requirement **"ALL OXYGEN GENERATING UNITS MUST COMPLY WITH ISO 10083 OXYGEN CONCENTRATOR SUPPLY SYSTEMS FOR USE WITH MEDICAL GAS PIPELINE SYSTEMS"** from the Bid Specification document.
- 117 Secondly, Intaka (and the other bidders) submitted a Bid Price per kg of oxygen for each of the hospitals, based on an average monthly consumption provided by the Department per hospital. The Bid Specification document was also clear that the Department would pay for actual consumption and not on an average monthly consumption. At the time of signing of the Oxyntaka Agreement, it made provision for minimum rental and minimum usage; that was not in terms of the Bid Specification document. At a later stage Intaka completed a number of Schedules to Annexure B, for hospitals where Oxyntaka plants had been installed/ commissioned. This document made provision for a guaranteed minimum usage and guaranteed minimum rental; that was not in terms of the Bid Specification document and the Oxyntaka Agreement. None of the other bidders were aware that they would be guaranteed a minimum usage or minimum rental, at the time they submitted their

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bids. In addition the BEC and BAC did not recommend and approve a "minimum rental", "minimum usage", "guaranteed minimum usage" or "guaranteed minimum rental". Only one of the schedules were subsequently signed by the HOD at the time Dr Mbele.

- 9.118 Furthermore, the Bid Specification document and Intaka's bid made provision for a back-up system and the Department interpreted Intaka's bid to be inclusive of back-up. The other tenderers included the back-up in their bid price. Subsequent to the signing of the Oxyntaka Agreement between the Department and Intaka, the latter disputed and argued that their bid excluded the back-up. The Departments Legal Services advised the HOD at the time Dr Mbele and supported their argument with reference to the Bid Specification document and the Oxyntaka Agreement, that Intaka was responsible for the back-up. Despite this a meeting that was attended by Dr Mbele decided that the Department should investigate activating the National Tender for the supply of the back-up; the service provider being Afrox. There appeared to be no reasonable explanation for Dr Mbele making such a decision, when her Legal Services had advised her otherwise.
- 9.119 The Bid Specification document, Intaka's Bid and the Oxyntaka Agreement provided for maintenance to be provided by the contractor being Intaka. A draft Maintenance Agreement was subsequently drawn up, but not signed. The Department argued that Intaka was responsible for same and that they must fulfil their responsibilities in terms of the Agreement. This was subsequently accepted by Intaka.
- 9.120 The entire debate around ISO 10083 compliant and MCC registration continued throughout the period the contract has been in effect. There is insufficient evidence to conclude that these 2 issues were ever completely agreed upon and resolved. These issues were significant and had a direct impact on the patient safety it was argued, however despite concerns being raised by the Departments anaesthetists to both Dr Nyembezi and Dr Mbele, their requests for intervention and discussion on the matters were ignored.
- 9.121 The provision of diesel for the generators supplied by Intaka, being their sole

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contribution to the back-up system, was a further cost that had to be incurred by the Department, despite the fact that this was part of the provision of self-generating oxygen for which the Department was paying Intaka on a monthly basis for each hospital. Once more there appeared to be no reasonable explanation for Dr Mbele to agree to this.

- 9.122 I wish to refer to and discuss the following documents seized by the SAPS from Intaka:
- 123 On 26 May 2006 Savoi sent an e-mail to Praderi titled: "KwaZulu- Natal" and details the following: *"Following my meeting with the HOD Dr BM Nyembezi I enclose a list with hospitals and number of beds. I need the following report for Wednesday 31<sup>st</sup> May:*
- *Check to which zone each hospital corresponds to.*
  - *Mark the zone that pays more".*
- 9.124 Attached thereto is a list containing 3 columns: hospital name; type of hospital; and a third column that is illegible, however it contains figures and based on Savoi's e-mail is the number of beds per hospital. The words *"budget +-3.8 mil p/m", "tender out in next week/ two" and "73 hospitals has been written thereon"*. The list has been faxed on 3 May 2006. This would indicate Dr Nyembezi was providing Intaka with information prior to the tender being advertised in December 2006.
- 9.125 On 31 July 2006 Savoi received an e-mail from [buisiwen@mweb.co.za](mailto:buisiwen@mweb.co.za). This is Dr Nyembezi's private e-mail address and is the same as that used on 18 August 2006 when she e-mailed van Der Merwe informing him of the changes that had to be made to the Bid Specification document. The e-mail in question is titled: *"Self-Generating O2 District Hospitals xls"*. The body of the e-mail reads: *"Amigo, here is a list of different hospitals. Please do quotes for District and Regional Hospitals separately. Muchas Gracias"*. Attached are 3 lists; the 3<sup>rd</sup> list containing what I deem to be confidential information in respect of: *"Oxygen 10.2kg cylinder usage June 2005 to May 2006"*, in addition to *"these hospitals could be converted to bulk if there was a supply contract in place"*. Significantly Dr Nyembezi has provided a potential

M1/1

M1/2-3

M2

K3

M2/4

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bidder with details including: the total annual usage (kg); the average monthly usage (kg); the cost of the cylinder @ R18.41/kg; and the bulk cost @R6.68/kg. These quantities and prices per kg were not included in the subsequent Bid Specification document and this may be deemed to be an unfair advantage not afforded to the other potential bidders.

- 9.126 On 11 December 2006 a fax was sent on behalf of Dr Nyembezi to Savoi consisting of 3 pages. It contains a copy of the tender being advertised with a closing date of 15 February 2007. It appears from the endorsements thereon that it was published in the City Press the previous day 10 December 2006. M3
- 9.127 A document titled: *"Confidential: Briefing Document on Intaka Investments (Pty) Ltd issues"* was prepared by Moores Roland Forensic Services. The name Gill Bolton and the date 12 December 2006 concludes the document. I do not wish to refer to this document in it's entirety at this stage. I wish to point out however, that Savoi and Intaka were aware of an investigation being conducted into Intaka by the Scorpions on 22 November 2006 and confirmed by Gill Bolton in her meeting with the DSO on 24 November 2006. She met them on 28 November 2008 and she reported as follows: *"During the meeting, the investigators advised that there were three areas in respect of which allegations had been made and/or in respect of which there were certain prima facie concern"*. The said confirmation of Intaka's knowledge of the DSO investigation is further confirmed in an e-mail to Phillip Haywood of the NPA from Gill Bolton on 20 February 2007. Hence, it is evident that an investigation was being conducted by the DSO into Intaka. I wish to refer back to the Bid Appeals Tribunal Findings dated 22 August 2007. In terms of section 3.1.2 of their findings the following was reported: *"No evidence was tendered to support the assertion that the preferred bidder was being investigated by the National Prosecuting Authority; this allegation was also vehemently denied by the preferred bidder at the hearing"*. It is clear Intaka did not disclose the investigation being conducted into them by the DSO as confirmed in the report referred to above and mislead to the Appeals Tribunal. M4
- 9.128 De Lange sent a letter to Dr Mbele on 15 November 2007 and copied it per e-mail to the MEC, Ms Nkonyeni. The content thereof is self- explanatory and refers to the M5
- K31/10-11

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delays experienced and the need to finalise the Agreement. Savoï sent an e-mail to De Lange on the same day at 10:17. It is titled: "KZN Tender Contract" and includes the following:

**M6/3**

*"After long conference with MEC:*

- *She is very disappointed with HOD and Victor attitude, not proceeding as per her instructions.*
- *All the situation was created because Victor received questionnaire from DA and only today disclosed to MEC.*
- *MEC will reply to DA*
- *Victor must send to you legal documents, as you requested, today; if you don't receive them claim them to him by e-mail with a copy to MEC.*
- *I informed the MEC that as per my instructions once you receive these documents you will e-mail him cc MEC and HOD informing that you and the Commercial Director will be there to make a short presentation of the company and product to HOD. She will make sure that you return with the document signed.*
- *I explained to her the reason why I will not be there and she fully agreed".*

9.129 The above would indicate that Savoï had spoken directly with the MEC Ms Nkonyeni and that she had instructed the HOD and Ntshangase to proceed and they had not. Further, she would ensure that they did not return without the Agreement being signed. I cannot determine the reason why Savoï would not be at the meeting (and the signing of the Agreement).

9.130 Savoï sent another e-mail to De Lange on the same day at 10:23 stating: *"the letter sent and received by the HOD was the bomb that made all happen. It was the right movement"*.

**M6/4**

9.131 On 19 November 2007 Savoï sent an e-mail to De Lange titled "KZN Tender": *"The Agreement regarding the KZN Tender must be signed by no later than Wednesday 21 November 2007, as stated in the letter to the HOD dated 13 November 2007"*.

**M7**

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- 9.132 On 27 November 2007 Ntshangase sent a fax to De Lange titled "Parliamentary Question No. NW2832E, consisting of 2 pages. The content of the said questions is self-explanatory, but pertinent questions have been asked e.g. MCC certified; details of tenders; oxygen purity; and awarding of contracts without going through tender procedures. It appears questionable as to why Ntshangase sent this to Intaka. De Lange sent his reply dated 3 December 2007, that appears appropriate. M8/1-2 M8/3-4
- 9.133 On 5 December 2007 Savoi sent an e-mail to De Lange titled "KZN Contract Oxygen Generators". He advised De Lange as follows: *"According to yesterday telephone conversation with the MEC of Health KZN I reiterate the need for both parties to have the contract signed this week"*. M9
- 9.134 On 7 December 2007 (after Intaka had been awarded the tender and the Appeal process had been finalised, but prior to the signing of the Agreement), Stefan Oosthuizen, Industrial and Technical Director of Intaka, sent an e-mail to De Lange, copied to Praderi and Erasmus. He raised concerns with regard to the Bid and Bid offer. These concerns are relevant particularly point 1: *"Scope is clear that supply must be continuous on line supply. Our standard machines (as a stand alone) cannot provide this without the cylinder manifold or VIE of the hospital as a back-up"*. Hence, at this stage prior to the Agreement being signed Intaka's legal representative (De Lange) and Praderi (Intaka's representative who signed the Agreement) were aware that their bid did not comply with the Scope. In addition the Scope states there will be no VIE available and any envisaged storage will need to be gaseous and not liquefied. However, they would later argue as already discussed in this report, that their Bid offer did not provide for a back-up and that it was in terms of the Bid Specification document. I do not know if De Lange replied to Oosthuizen's concerns. M10
- 9.135 On 13 December 2007 at 18:03 (the Agreement was signed earlier in the day at Inkosi Albert Luthuli Hospital) Savoi sent an e-mail to four of his staff. The content of the e-mail relates to Intaka's relationship with Rowmoor Investments (as at 13 December 2007, being more than a year after they had been awarded the supply of 2 water purification plants for Rietvlei and Appelsbosch Hospitals), and things that either did not or were not going to happen: quantities; maintenance contract; and M11/1-2
- 

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removal of 1 hospital:

*"Considering that the conditions of the KZN tender contract that was signed are different from what was initially approved between our company and the department of Health, I believe it is necessary and important to check the draft contract sent to Rowmoor Investments. It must be transmitted to Rowmoor that there are a lot of things agreed with the department of health of KZN that were going to happen and did not happen as:*

1. *The decided to consider the wrong quantities mentioned in the tender and not the volumes that our technicians got during the visit and that most of them were confirmed later by Mr Victor of the Chain Supply Management" (there is no evidence that any quantities were considered at the signing of the Agreement, as the Schedule to Annexure B was not complete).*
2. *"They did not accept the maintenance contract".*
3. *"They took one hospital out alleging that it is part of the Eastern Cape and not KZN (not substituting it for another one).*
4. *Etc".*

9.136 Also attached is a spreadsheet titled: "KwaZulu- Natal Tender Profitability Analysis". M11/3  
 In terms thereof commission in the amount of R8,391,052.57 has been provided for in scenario 1 and 3.

9.137 The "Minutes of a meeting to discuss the various situations relating to KZN, held in M12  
 Intaka Tech Boardroom on Wednesday, the 23<sup>rd</sup> of January 2008", included a discussion on KZN Department of Health. The first paragraph details what was said initially by Mr Oosthuizen, is self- explanatory and includes the following comments: M12/2  
*"We profess to supply equipment that we do not have; there are things that we commit to that we can not deliver and do not have"; and "this whole tender is full of information that is not what our machines do or offer as our standard equipment and it also implies that our units offered are ISO 10083 compliant".*

9.138 Mr Oosthuizen again commented thereafter: *"if there were one or two things which M12/2  
 didn't make sense, that would be different, but this whole document is questionable".*

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Later on he added when discussing ISO 10083 the following: *"In terms of ISO 10083 this is not the problem, where the problem lies is in our bid offer the wording has become so twisted- what Mr de Lange has mentioned is that the wording has become so twisted that it actually implies that we will supply the whole entire system- primary, secondary and reserve supply".*

M12/3

9.139 Mr Oosthuizen commented again later and referred specifically to Clause 18.4 of the Agreement: *"the lessor guarantees that the equipment will be supplied with a back up system, as provided in the bid specification document. Here it says clearly that our equipment will be supplied with a back up system. There is reference to backup/ secondary supply in the bid specifications".*

M12/3

9.140 At an Intaka Directors Board meeting held on 30 January 2008, the tender in question was discussed. The following relevant points were raised that reflects on the integrity of Intaka and that they were not making decisions in good faith: *"There is one outstanding issue with the KZN Bid with regards to clause 18.4 as it does affect the type of machine which is to be installed. Until Intaka Tech has clarity on what the Department of Health's expectations are, it will affect the final product"; "The fact is that the Bid offer was full of equipment which we were not able to offer"; and "Mr De Lange added, this will become a legal and political argument which will be resolved by the time the first 2 or 3 units are installed".* I question the reasoning for a "political argument" when clause 18.4 was a legal argument, that impacted directly on the Department's ability to provide the Department with a back-up system thus ensuring patients lives are not endangered: Clause 18.4 reads as follows: *"The Lessor guarantees that the EQUIPMENT will be supplied with a back-up system as provided for in the Bid Specification document: ZNB 7295/2006H, annexed hereto as C".* The following was added: *"Mr Oosthuizen confirmed that Commercially the machines are being installed with no back-up".*

M13

K39/14

M13/2

9.141 Intaka produced a document titled "CLIENT SERVICES" 2007 document. Due to the size of the document I will only attach and refer to parts that conflict with the manner in which they were dealing with the issues surrounding the Bid Specification document and their own Bid, and the product they intended supplying to the

M14

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Department:

- |   |              |
|---|--------------|
| 1) <i>"The Objective of this Client Services 2007 document is to market us, and to develop our Customer Relationship capabilities by:</i>   | <b>M14/2</b> |
| 1. <i>Being customer focused. Having a satisfied customer is our best prospect and the best reference we can make.</i>  |              |
| 2. <i>Strengthening the relationship between our Organisation and our Customers.</i>  |              |
| 2) <i>It is our job to satisfy the needs and expectations of our customers and, whenever possible, resolve their fears and complaints.</i>  | <b>M14/3</b> |
| 3) <i>We do everything in our power to ensure that we provide our customers with the products, services and solutions to meet their needs, provided that everything we do for them, as based on sound, ethical business principles.</i> | <b>M14/4</b> |
| 4) <i>Our entire business organisation is based on trust and integrity as perceived by our stakeholders, especially our customers".</i>   | <b>M14/4</b> |

9.142 E-mails between Intaka staff on 6 February 2008 refers to the issue surrounding the donation of 7 plants to hospitals as indicated in their bid document. The Technical Director, Mr Oosthuizen recommended that Intaka retract the donation offer if the Department is uncomfortable with it. He suggested that "commercial" (Praderi) speak to the CFO (Buthelezi) or Victor (Ntshangase) regarding this. **M15**

143 On 30 September 2008 Intaka replied to an earlier letter from Kantha Padayachee dated 25 September 2008. Intaka provided their version of the interpretation of the Oxyntaka Agreement and advanced their argument as to why they believed that Intaka was not responsible for the back-up and that their Bid did not provide for same. They further argued the issue of MCC registration. **M16/1-3**  
**M16/4-5**

**Interviews conducted with KZN Department of Health officials**

9.144 We interviewed a number of Department of Health officials whose names appeared on various documentation and/or who were referred to us by officials at interviews as officials that had knowledge of the Oxyntaka Self- Generating Oxygen Plants under investigation. We obtained affidavits from these officials where deemed necessary

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and where they were willing to provide the same. Some of these officials also provided affidavits during the course of the water purification plants investigation and have been referred to an attached earlier in this report, where the first affidavits were relevant to the Oxyntaka investigation. Detailed hereunder is a summary of all officials interviewed and relevant information obtained from them.

**Interview with Nozipho Mthembu**

9.145 We conducted an interview with Nozipho Mthembu (Mthembu) who is currently a Manager in the Departments Human Resources Strategic Planning component. During 2006/2007 (when the tender was awarded to Intaka) she was employed at the Departments Central SCM component and was responsible for a division known as Targeted Enterprise Development within SCM. We obtained an affidavit from her in respect of the Oxyntaka, a summary of which is detailed below:

P1

- 1) She was the Chairperson of the BSC when the Bid in question was discussed and approved at the meeting held on 30 November 2006. Further an official from the Western Cape Department of Health was used as a technical advisor (she could not recall his name).
- 2) She was also a member of the BAC chaired by Buthelezi. She did not recall attending any BAC meeting held on 22 June 2007.
- 3) She attended the BAC meeting on 27 June 2007. She was unable to explain why the Submission to the HOD dated 25 June 2007 was validated by the HOD on 26 June 2007, prior to the BAC meeting held on 27 June 2007.
- 4) She never attended another BAC to amend any conditions of the Contract in respect of the Oxyntaka i.e. no knowledge of any BAC approval of the Schedules to Annexure B of the Agreement.

**Interview with Andile Zondo**

9.146 We conducted an interview with Andile Zondo (Zondo) who is currently a Manager at the Departments Central SCM component, Demand Management. We obtained another affidavit from her in respect of the Oxyntaka, a summary of which is detailed

P2

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below:

- 1) She was a member of the BSC when the Bid in question was discussed and approved at the meeting held on 30 November 2006. The specs were similar to that of Rietvlei Hospital.
- 2) She was also a member of the BEC chaired by Ntshangase. She attended a BEC meeting on 29 May 2007, after the matter had been referred back to the BEC. It was agreed by the BEC that the matter be referred to Buthelezi who was the Accounting Officer, CFO and the Chairperson of the BAC, as the BEC was abiding by their decisions of the BEC and Technical Committee. This was subject to compliance with the issues identified in paragraph 10 "Comments of the Technical Committee" of the Submission and the subsequent signing of a Service Level Agreement.
- 3) She prepared the document for validation by the HOD dated 25 June 2007 and she understood the BAC had already approved the recommendations of the BEC prior to this date (despite the meeting of the BAC on 27 June 2007).

**Interview with Busisiwe Ndaba**

9.147 We conducted an interview with Busisiwe Ndaba (Ndaba) currently employed as Principal Supply Chain Management Officer, Contracts Department, Central Supply Change Management. We obtained an affidavit from her a summary of which is detailed hereunder:

P3

- 1) She confirmed she was a member of the BAC chaired by Buthelezi.
- 2) She attended a meeting of the BAC on 28 May 2007 where Westwood provided a presentation. The BAC did not approve the recommendations of the BEC and returned the matter to the BEC for attention.
- 3) She also attended a meeting of the BAC on 4 June 2007, where the matter was approved subject to: the production of an ISO compliance certificate or a letter detailing the extent of compliance with ISO; and the receipt of Intaka's execution plan.
- 4) She was called to a meeting held on 22 June 2007 at the office of Ntshangase.

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This meeting was attended by Ntshangase (Chairperson of the BEC) and the following member of the BAC: Buthelezi (Chairperson of the BAC) and Deonundhan (member of the BEC).

- 5) The secretary of the BAC did not attend the said meeting and she could not recall if the meeting was recorded (I have no evidence of a recording or minutes). The meeting was called by Buthelezi to discuss the award of the tender to Intaka. He informed those present that the tender specifications indicated that the ISO compliance had been a recommendation and not a requirement. In addition to the above he confirmed that the concerns raised by Westwood during the BAC held on 28 May 2007 had been addressed and was resolved at the BEC. The BAC then approved the recommendation of the BEC during this meeting that the tender be awarded to Intaka subject to the drafting of a Service Level Agreement.
- 6) The said approval by the BAC (on 22 May 2007) was placed on official record at the next meeting of the BAC held on 27 May 2007
- 7) She understood that Intaka would provide a "back-up" and that the Department would only pay for actual kg of oxygen supplied and not a "guaranteed minimum". She never attended another BAC to amend any conditions of the Contract in respect of the Oxyntaka i.e. no knowledge of any BAC approval of the Schedules to Annexure B of the Agreement.

**Interview with Reka Deonundhan**

9.148 We conducted an interview with Reka Deonundhan (Deonundhan) who is currently a Deputy Manager at the Departments Central SCM component, Policies and Systems Management. We obtained an affidavit from her in respect of the Oxyntaka, a summary of which is detailed below:

P4

- 1) She confirmed she was a member of the BAC chaired by Buthelezi.
- 2) She attended a meeting of the BAC on 28 May 2007 where Westwood provided a presentation and raised a number of issues. The BAC did not approve the recommendations of the BEC and returned the matter to the BEC for attention.
- 3) She was called to a meeting held on 22 June 2007 at the office of Ntshangase. This meeting was attended by Ntshangase (Chairperson of the BEC) and the



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following member of the BAC: Buthelezi (Chairperson of the BAC) and Ndaba (member of the BEC). She could not recall if Mthembu was present.

- 4) The secretary of the BAC did not attend the said meeting and she could not recall if the meeting was recorded (I have no evidence of a recording or minutes). The meeting was called by Buthelezi to discuss the award of the tender to Intaka. He informed those present that the tender specifications indicated that the issues raised by Westwood during the BAC held on 28 May 2007 had been addressed and resolved. The BAC then approved the recommendation of the BEC during this meeting that the tender be awarded to Intaka subject to the drafting of a Service Level Agreement. The said meeting was very informal according to Deonundhan.
- 5) The submission was sent to the HOD for validation on 25 June 2007 based on the meeting of 22 June 2007, and was confirmed as recorded in the minutes of the BAC meeting of 27 June 2007.
- 6) A meeting was held on 10 October 2007 with Intaka, attended by her, Ntshangase, De Lange (Intaka) and Alexandre (Intaka). She prepared the minutes of the said meeting and confirmed the issues raised including: Oxygen Peak Flow, she was to contact the various hospitals to obtain confirmation; and ISO 10083 Compliance and that the analysis must be an addendum to contract.
- 7) She referred Intaka to Legal Services when they enquired about the completion of the Schedules to Annexure B to the Agreement, as she had no knowledge of these Schedules.
- 8) It was her understanding as a committee member of the BAC that the successful tenderer would have been responsible to supply an entire PSA unit per institution and will be responsible for the entire unit. This will according to her understanding include a "back-up" system because the Bid Specification document indicates clearly that "it is the intention of the Department of Health to eliminate the purchase of Medicinal Air and Oxygen".
- 9) The Department have always according to her understanding entered into an agreement wherein they have agreed to pay for actual services rendered. She was unaware of any other contract wherein the Department has agreed to pay for a "Guaranteed Minimum Usage". According to her understanding the Department would not agree to pay Intaka any "Guaranteed Minimum Usage" of oxygen per

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month. She was never called to, present or aware of any BAC meeting which was held after the award wherein the BAC was requested to amend any of the conditions of the tender entered into between the Department and Intaka.

**Interview with Malcolm Peters**

9.149 We conducted an interview with Malcolm (Peters) who was previously employed as a Deputy Manager at the Departments Central SCM component. We obtained an affidavit from him in respect of the Oxynlaka, a summary of which is detailed below:

P5

- 1) He became involved with the tender in question after tender closure during February 2007. It was his responsibility to ensure that the Acquisition Management Division prepared the submission together with the tender documents to the BEC and BAC for consideration and evaluation of the respective tenderers prior to the award.
- 2) He prepared the request to the BEC dated 22 March 2007 to consider and evaluate the Bid. He also prepared a schedule indicating the Price and correctness of the tender documents for the respective bidders to assist with the proceedings.
- 3) He attended the BEC meeting that was held on 23 March 2007 to present the submission to the BEC together with the relevant tender documentation. His involvement in the meeting is purely to provide administration support and he was not actively involved with any of the discussions held during the meeting. The said meeting was attended by Mr Halvey, who was employed by the Northern Cape Department of Health to provide technical assistance to the committee. The Committee resolved during the said meeting to mandate Ntshangase, Halvey and Westwood to visit the sites of the companies who tendered for the Bid and to report back to the BEC before any further discussions could be entertained.
- 4) The BEC held in the next meeting on 26 April 2007 to discuss the technical report submitted by Halvey, which referred to a number of points of concern which required clarification. The Committee resolved that the Technical Advisors, Halvey and Westwood, attend the next BEC meeting to give a presentation and

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to clarify the issues surrounding their points of concern.

- 5) The BEC held the next BEC meeting on 3 May 2007 to clarify the said issues that was raised in the Technical Report by Halvey. A number of issues were discussed by the Technical Committee during their presentation, whereafter it was recommended by the BEC to award the tender to Intaka. He then prepared the submission to the BAC wherein he summarised the proceedings of the various BEC meetings that was held. The date of the meeting in paragraph 7.1 of the submission was typed incorrectly as "March" and should read "April".
- 6) He attended the BAC meeting that was held on 4 June 2007. He was requested to provide the Committee with the costing for the tender. He determined that the financial implications for the first phase of hospitals was estimated at R37 million over the first five (5) x year period, with an average of R7 million per year. He calculated this costing from the price per kg of oxygen provided by Intaka in their tender document for the first twenty-five (25) x hospitals included in his submission to the BAC. He was also requested by the BAC to obtain confirmation from Intaka that they comply with ISO 10083 standards. He then asked Quinton van Wyhe, who was employed at CSCM directly under his supervision, to obtain the required certificate. Van Wyhe reported to him later that Intaka refused to provide the Department with a certificate, but agreed to follow it up in writing. He received a letter from Intaka in this regard dated 6 June 2007, which he submitted to the BAC for their attention.

**Interview with Quinton van Whye**

- 9.150 We conducted an interview with Quinton van Whye (van Whye) who was previously employed as an Administration Clerk (temporary position) within the Acquisition Department in CSCM during the period under investigation and reported to Peters. We obtained an affidavit from him in respect of the Oxyntaka, a summary of which is detailed below:

P6

- 1) He was responsible for obtaining all the tender documents submitted for the tender in question after the tender closed and then prepared a summary on a worksheet from the information that was contained in the respective tender

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documents. The worksheet was attached to the submission to the TEC to consider and evaluate the bid. He attended the TEC held on 23 March 2007 and assisted with the submission of the tender documentation to the TEC.

- 2) He did not attend the TEC meeting in June 2007. He was however requested to contact Intaka to obtain confirmation from them in writing that they comply with ISO 10083 standards. He has no knowledge of what the standards mean or entail. The request was faxed to Intaka and followed up with a telephone call. He contacted their offices and left a message with one of the secretaries requesting the said confirmation in writing. He received a telephone call shortly thereafter from one of the Intaka representatives. He could not recall the name of the person, who was very hostile over the phone and told him that the Bid Specifications for the tender does not call for a certificate of compliance but regards it only as a recommendation. He then provided feedback to Peters based on his telephone conversation with the representative from Intaka.

**Interview with Sally Crichton**

- 9.151 We conducted an interview with Sally Crichton (Crichton) employed as Senior Supply Chain Management Practitioner, at SCM. We obtained an affidavit from her in respect of the Oxyntaka, a summary of which is detailed below:

P7

- 1) She was the Secretary responsible for the BEC and the BAC meetings during 2007 when the tender was awarded to Intaka.
- 2) She attended most of the BEC and BAC meetings in the capacity as Secretary and was responsible for recording down a summary of the proceedings and then prepared the minutes for the meetings. The extract of the minutes for the meetings in respect of the Intaka tender as listed hereunder reflects a true and accurate record of events.
  - i. Minutes of the BEC meeting held on 23 March 2007.
  - ii. Minutes of the BEC meeting held on 26 April 2007.
  - iii. Minutes of the BEC meeting held on 3 May 2007.
  - iv. Minutes of the BAC meeting held on 9 May 2007.
  - v. Minutes of the BAC meeting held on 28 May 2007.

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- vi. Minutes of the BEC meeting held on 29 May 2007.
  - vii. Minutes of the BAC meeting held on 4 June 2007.
  - viii. Minutes of the BAC meeting held on 27 June 2007.
- 3) She did not attend a meeting on 22 June 2007 and has no knowledge of the meeting other than what was noted during the BAC meeting held on 27 June 2007. She does not have any other records for the said meeting and there is no record that minutes were kept for the said meeting..
  - 4) She has no knowledge of any BAC meeting which was held after the award of the tender to Intaka i.e. after 27 June 2007.

**Interview with Dr Derek Barrett**

9.152 We conducted an interview with Dr Derek Barrett employed as a Chief Specialist Anaesthesiologist, Ngwelezane Hospital, KwaZulu- Natal Department of Health. We obtained an affidavit from him in respect of the Oxyntaka, a summary of which is detailed below: P8

- 1) He was not involved with the procurement process that superseded the award of the tender to Intaka. His involvement was limited to concerns that he had surrounding the commissioning of the PSA Plants that could affect the safety of patients.
- 2) It came to his attention during early 2007 that tenders were called for the installation of these PSA units in many Departmental Institutions situated in KwaZulu-Natal. As the major end user of oxygen, and by virtue of his responsibility towards his patients and staff, he, together with other Chief Specialist Anaesthesiologists employed by the KZN Department of Health, voiced their concern over a number of issues related to the installation of these oxygen concentrators to the Infrastructure Component. Substandard installations are a danger to staff, property and the patients they treat. Hence, they felt that it is vital that any installation should meet the necessary safety standards, particularly regarding the purity of the oxygen enriched air produced and safety precautions.
- 3) He confirmed that a meeting was held to discuss their concerns. He attended the said meeting on 13 July 2007 at the Health Technology Services, Wentworth

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Hospital. The meeting was also attended by other "concerned" Anaesthesiologists and representatives from the Infrastructure Component. The major concerns that they raised were the following:

- i. The selection of suitable Departmental Institutions prior to the installation of the PSA units;
  - ii. Compliance to ISO 10083 and SABS specifications;
  - iii. Registration with the Medicines Control Council; and
  - iv. Inspection of the PSA Units after commissioning and before they are placed into operation.
- 4) The tender was not awarded at the time (July 2007) and they were advised to draft a report to the HOD to report their concerns in writing and to ensure it is addressed prior to the award of the tender. The concerned Anaesthesiologists then prepared a report wherein they addressed their concerns to the then HOD, Dr Nyembezi dated 13 July 2007. The report was jointly drafted and signed by them.
- 5) He was advised that the matter was receiving attention and that the HOD would revert back to him. He never received a reply from Dr Nyembezi iro the aforementioned report. The contract was later awarded to Intaka and the Department, represented by the then Acting HOD Dr Mbele, entered into an agreement with Intaka during December 2007, wherein it was agreed that Intaka would commission PSA units at various Departmental Institutions. The Anaesthesiologists had an additional concern at the time which was the electrical supply to the hospitals in light of Eskom's load shedding and the strain that the oxygen concentrators may place on the emergency electricity supply to hospitals. He raised the additional concern to Dr Mbele in an e-mail dated 5 February 2008 together with the report he prepared, prior to the installation of any PSA units. He never received a reply from Dr Mbele iro the aforementioned matter and the Department has subsequently continued with the commissioning a number of PSA units without their concerns being addressed.
- 6) He supports the idea of having PSA units commissioned at smaller Departmental Institutions that are not big enough to justify liquid oxygen and which are situated in remote areas where it is difficult to transport oxygen cylinders, on condition that it meets the required safety standards. He has doubts as to whether the



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Regional and Tertiary Hospitals should be using PSA units at this stage. All hospitals that use PSA units must have adequate back-up systems in case of failure of any component of the PSA unit. It is not sufficient to have just a second compressor as there must be a reservoir supply of oxygen. Hence, any installation must include adequate back-up of either cylinders or liquid oxygen. The cost of the back-up supply must be calculated and considered together with the cost of the PSA units to determine the cost effectiveness of these units. He was not sure if the Department have considered all these factors carefully prior to the awarding of the contract.

- 7) He has considerable records of correspondence between himself and interested parties with regard to the contract awarded to Intaka and subsequent developments. Dr Zane has also shared his concerns and has actively participated in the interest of the Department in raising their concerns. To his knowledge their concerns have never been sufficiently addressed or resolved (we confirmed during this investigation that this is the case).

**Interview with Dr YL Mbele**

9.153 We conducted an interview with Dr YL Mbele (Dr Mbele). Dr Mbele held the position of Acting HOD) at the Department during the period early October 2007 to the end of June 2009. Mrs P Nkonyeni (Nkonyeni) was the MEC for the Department during this period. Dr Mbele took over as HOD from Dr Nyembezi, who was the previous HOD. We obtained an affidavit from her in respect of the Oxyntaka, a summary of which is detailed below:

P9

- 1) She joined the Department during October 2007 after the finalisation of the tender and it was awarded to Intaka. She was not involved with the tender process or the Bid Appeals Tribunal for the aforementioned tender.
- 2) With regard to the events prior to the signing of the Agreement she stated the following:
- 3) She was briefed by Mrs PK Padayachee General Manager, Legal Services of the Department on the tender awarded to Intaka prior to the signing of the Service Level Agreement entered into between the Department and Intaka. It was the

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responsibility of Padayachee as the Head of Legal Services to advise her on matters such as these with a high cost implication to the Department because she as the Accounting Officer was ultimately responsible for all expenditure by the Department during her appointment as Acting HOD.

- 4) There was "general pressure" from both the Department and Intaka to finalise the Service Level Agreement between the Department and Intaka in order to commence with the commissioning of the PSA units at various Departmental Institutions. Padayachee was involved in negotiations with Intaka during this period and responsible for drafting the Service Level Agreement.
- 5) She was present during a meeting that was held on 13 December 2007 between the Department and Intaka. The meeting was held at the Inkosi Albert Luthuli Hospital (IALH) for the signing of the Service Level Agreement. She cannot recall who called for the meeting and why it was to be held on the said day at IALH. She assumed that she was in the Durban area and was then informed by one of her colleagues to attend the meeting that was scheduled between the Department and Intaka due to the urgency in the matter. She was represented by Padayachee and Mr F Praderi was represented by one of his legal advisors, whose details she cannot remember. She signed the Service Level Agreement entered into between the Department and Intaka on behalf of the Department on 13 December 2007, which was witnessed and signed by Padayachee. Mr F Praderi signed the Service Level Agreement on behalf of the Department, which was witnessed and signed by his legal advisor during the same meeting. She cannot remember if Mrs Nkonyeni was present during the said meeting. Mrs Nkonyeni was not a party to the contract and not involved with any of the discussions. She signed the said Service Level Agreement on the advice of Padayachee and can recall that Padayachee had included the Bid Specification document as an annexure to the Service Level Agreement due to the technical specifications in the Bid Specification document.
- 6) The implementation of the contract was managed thereafter by the Central Supply Chain Management component (CSCM) and the Infrastructure Component of the Department. She recalled that she attended a meeting during the latter part of 2008 between the Department and representatives from Intaka to discuss progress of the contract awarded to Intaka iro the installation of the

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PSA units at various Departmental institutions within KZN.

- 7) She further recalled that they discussed during the meeting amongst other issues whether or not Intaka is obliged to supply back-up oxygen to the Department as part of the agreement. There was a legal debate between the Department and Intaka surrounding the issue and it was resolved that SCM would undertake a costing exercise to establish what the financial implications would be for the Department to rent additional cylinders for the back-up supply of oxygen and to look into the Department accessing the National Tender with Afrox, another service provider to the Department in this regard. She cannot remember what the outcome was of this matter and or whether the Department had resolved who is responsible for the cost of the additional back-up supply. It was always her understanding that Intaka would be responsible for the supply of the back-up. This issue was however never raised prior to the signing of the agreement entered into between the Department and Intaka, but only subsequently thereto.
- 8) She attended another meeting between the Department and Intaka on 6 April 2009. She was referred to the minutes of the meeting held and confirmed that she was present during the latter part of the meeting. She confirmed that it is evident from the minutes of the meeting that the issue surrounding the responsibility for the additional back-up supply was not resolved as yet. As she was not present when the meeting first started, she cannot comment on all the issues that were discussed. She recalled that Intaka had raised a concern about unnecessary delays in the commissioning of the PSA units at the next implementation phase. She informed the meeting that the Department had to resolve the queries that were raised and it was important to resolve these issues before they could continue with the "finalisation of the contract". Her interpretation of this comment was to resolve the outstanding queries first before they could continue with the installation of further PSA units.
- 9) She was shown a letter from Intaka together with a number of "Schedule to Master Lease Agreement" forms attached to the said letter. She confirmed that she signed the first "Schedule to Master Lease Agreement" for Benedictine Hospital, which is dated 6 April 2009. She cannot remember the purpose of this schedule and or why she signed the schedule. She cannot remember when the contents of the schedule were discussed with her nor can she remember the

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circumstances under which she signed the said "Schedule". She assumed that it was signed during the meeting that was held between the Department and Intaka on 6 April 2009.

- 10) Her understanding of the contract entered into between the Department and Intaka was that Intaka would supply PSA units to various Departmental Institutions and that the Department would pay Intaka for oxygen delivered per kg. It was never her understanding the Department had guaranteed to pay Intaka for a "Minimum Usage" of oxygen as indicated in the aforementioned "Schedule to Master Lease Agreement".
- 11) She was not certain about the details of all the technical requirements of the contract entered into between the Department and Intaka. Her first priority as HOD of the Department was patient safety and hence she agreed to a contract wherein she assured that each and every hospital had sufficient oxygen. The Department had to have a back-up supply at every hospital in addition to the PSA units to ensure patient safety in the event that the PSA unit would have failed. She signed the Service Level Agreement on the basis that she was advised by Padayachee to do so and in good faith. She left the Department during June 2009 and has no knowledge of the current status of the implementation phase.

**Interview with Gerhardus van Der Merwe**

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I previously referred to van Der Merwe who was previously employed as Manager of the Infrastructure Development component, that we interviewed him and obtained his affidavit in respect of the water purification plants. We obtained another affidavit from him in respect of the Oxyntaka, a summary of which is detailed below:

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P10

- 1) Afrox, another supplier to the Department, provided oxygen cylinders as well as Bulk Oxygen to the Department at the time and the HOD wanted the implementation of these Oxyntaka plants at various Departmental institutions. He then reported to her that the Department had implemented self-generating oxygen plants at two (2) x smaller institutions as a pilot project during 2005 as follows:

- i. A self-generated oxygen plant at Vryheid hospital supplied by Insmmed (Pty)

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Ltd; and

- ii. A self-generated oxygen plant at Murchison hospital supplied by Intaka.
- 2) The then HOD instructed me to draw up specifications for the "On site Manufacture and delivery of bulk medical air and oxygen for clinical use" at Provincial Hospitals of the KZN Department of Health. It was during August 2006 and during the same period that Rietvlei hospital was taken over by the KZN Department of Health from the Eastern Cape Department of Health. The then HOD was concerned about Rietvlei hospital due to the unstable supply of Medical Oxygen at Rietvlei Hospital and had requested me to call for a urgent tender for the installation of the said plant at Rietvlei. Hence I was also requested by the HOD to draw up the specifications for the said "On Site Manufacture and Supply of Bulk Medical Oxygen and Medical Air at Rietvlei hospital and to submit it for her approval in order to procure for the services of an Oxygen Generating Plant as a matter of urgency.
- 3) He then requested Westwood to draw up the specifications for the two tenders and advised him to use the tender specifications that were used by the Western Cape Department of Health. This formed the basis of the KZN specification document.
- 4) Westwood drafted the specification document for the "On site manufacture and delivery of bulk medical air and oxygen for clinical use for both Rietvlei Hospital as well as for the supply to other KZN Provincial Hospitals. Van der Merwe then submitted these drafted specifications to the then HOD for her comments and approval prior to the submission to CSCM for procurement of the said services. A copy of the draft specifications that was submitted to Dr Nyembezi, the then HOD, for her approval was provided by Van der Merwe.
  - i. Tender Specification for the "On site manufacture and delivery of bulk medical air and oxygen for clinical use at Provincial Hospitals of the Department of Health, in the KwaZulu Natal Province"; and
  - ii. Memorandum addressed to Dr BM Nyembezi dated 15 August 2006, with the Tender Specification for the "On site manufacture and delivery of bulk medical air and oxygen for clinical use at Rietvlei Hospital, situated in the Sisonke District, for the Department of Health Provincial Administration of KwaZulu Natal" attached to the said memorandum.

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- 5) Dr Nyembezi forwarded him an e-mail dated 18 August 2006, wherein she instructed him to make the changes on the specification document as detailed hereunder:
  - *"Page 4. Remove ISO requirement not necessary*
  - *Page 8 Professional Certified Engineer instead of Industrial Engineer MCC requirement*
  - *Page 19 Need to specify distance where contractor will obtain electrical supply."*
- 6) He forwarded the said e-mail from Dr Nyembezi on to Westwood who was responsible for the drawing up of the tender specifications as earlier stated by him. Westwood made the necessary amendments to the respective tender specification documents, which was then submitted to CSCM for tender purposes.
- 7) Infrastructure Development component was not involved with the procurement procedures thereafter. He was provided with a memorandum from the then HOD addressed to Dr Sewlal dated 29 November 2006, wherein the then HOD requested CSCM to call for a Tender for the installation of a Plant for the On Site Manufacture and Supply of Bulk Medical Oxygen and Medical Air at Rietvlei hospital. She referred to a Tender in favour of Intaka and authorised the Department to incur expenditure in terms of "Delegation 0201" for R16,50 per kg of gas for the first year, escalated as agreed to in terms of paragraph 6.1.3 of the agreement entered into. Infrastructure Development was then instructed by CSOM to issue an order to Intaka for the required services at Rietvlei Hospital. Infrastructure Development then issued order number N 0734189 for the aforementioned services on 30 November 2006. They monitored the project and were initially responsible for the payment of these services. It was later agreed that the cost for the supply of the oxygen to Rietvlei hospital was part of their day-to-day running of the hospital and hence they were responsible for future payments in this system.
- 8) The purchasing and installation of further self-generating oxygen plants were procured by CSCM. The Infrastructure component was not involved in any of the procurement procedures during the tender allocation other than Westwood who attended some of the meetings and provided technical advice together with



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Vincent Halvey, who was employed by the Northern Cape Department of Health. He has no knowledge of how or why Halvey became involved with this process, because Westwood is a Deputy Manager, Engineering Advisory Services who is employed in the KZN Department of Health and familiar with the province and local conditions and has the necessary experience and expertise. He was in the process of finalising his retirement during the period when the tender was awarded to Intaka and Westwood took control of the commissioning of the Oxyntaka plants at the various Departmental institutions on behalf of Infrastructure Development.

**Interview with Robin Westwood**

9.155 We conducted an interview with Robin Westwood (Westwood) employed as a Deputy Manager, Engineering Advisory Services, Infrastructure Development component. We obtained an affidavit from him in respect of the Oxyntaka, which is detailed below:

P11

- 1) *"I wish to state from the outset that I was not involved in the procurement process when Tender Number ZNB 7295/2006H for the "On-Site Manufacture and Delivery of Bulk Medical Oxygen at Various Institutions", also known as a Pressure Swing Absorber (PSA), was awarded to Intaka. I am employed at the Infrastructure component and I report to Ms Hadebe who is the current Manager of Infrastructure Component. I reported to Mr G van der Merwe (van der Merwe), who was the Manager of Infrastructure Component during the latter part of 2006 and 2007 when Tender Number ZNB 7295/2006H was advertised and awarded to Intaka. I am responsible to provide technical advice to the Department and hence my involvement was limited to the technical aspects of the tender which I will discuss in more detail hereunder.*
- 2) *I was instructed by van der Merwe during August 2006 to draw up tender specifications for the "On site Manufacture and delivery of bulk medical air and oxygen for clinical use" at 1). Rietvlei Hospital and 2). Various Provincial Hospitals of the KZN Department of Health. It was shortly after van der Merwe attended a meeting in Cape Town and was instructed by the then Head of*

References in the margin refer to  
 appendix numbers

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Department (HOD), Dr Nyembezi, to draw up tender specifications for the aforementioned matters as two (2) x separate projects. He provided me with a copy of a Tender Specification document that was used by the Western Cape Department of Health that formed the basis of our Tender Specification documents. I drafted the Tender Specifications for the two (2) x projects and submitted it to van der Merwe for his further attention and submission to the Bid Specification Committee for approval.

- 3) Included amongst others the requirement that all Oxygen Generating Units must comply with ISO 10083 standard. The purpose of the International Standard is to specify minimum safety and performance requirements for the PSA Unit to deliver oxygen-enriched air to a medical gas pipeline distribution system. My objective of this International Standard was that the successful tenderer are to ensure that the PSA Unit is tested after commissioning and then certified that it complies with the standard. I referred to the ISO 10083 standard in the draft Tender Specification document as follows:
  - i. This requirement that "All Oxygen Generating Units must comply with ISO 10083 Oxygen Concentrator Supply Systems for use with Medical Gas Pipeline Systems" was included under the heading "SPECIFICATIONS OF THE OXYGEN GENERATING UNITS" in paragraph 4 and in bold. My intention with this provision was to ensure that the entire PSA Unit complies with the standard.
 

I included a "Schedule of Information" in paragraph 11 of the Specification document that had to be completed by the tenderer for each Institution.

The Schedule of Information included amongst others the following:

"11.2 Does the unit comply with ISO 10083....."

11.6 Does the equipment comply fully with the specification? Yes/No..."
- 4) Van der Merwe forwarded the Draft Specifications to Dr Nyembezi for her comments prior to the submission to the Tender Bid Specifications Committee for approval. She replied to him by e-mail dated 18 August 2006, wherein she instructed us to make the following changes on the specification document:
 

"Page 4. Remove ISO requirement not necessary

Page 8 Professional Certified Engineer instead of Industrial Engineer MCC requirement

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*Page 19 Need to specify distance where contractor will obtain electrical supply."*

- 5) *The ISO requirement was inserted to protect both patients and the Department. I removed the ISO requirement as requested by Dr Nyembezi on page 4 of the document but kept it included in the "Schedule of Information" under paragraph 11. I also replaced paragraph 4.3.1.2 that reads "The oxygen/gas mixture is to be approved by the Medicine Control Council" with the statement that reads "The oxygen/gas mixture is to meet the requirements of the ISO 10083 of 2006 paragraph 4.5". This was done to ensure that the tenderer comply with ISO 10083. I also made the other two (2) x changes as requested by the HOD. I replied to van der Merwe's e-mail and noted my concerns to him. I added that technically these units have a place in some of our hospitals, i.e. not all hospitals.*
- 6) *The Bid Specification document was then submitted to the Tender Bid Specification Committee for their consideration and approval. PwC shown me another copy of the Tender Bid Specification document that reflects further changes to the document that I sent to the Committee for approval. I am unaware of these changes and I was not involved with any further amendments to the document after I sent it to the Tender Bid Specification Committee for approval in August 2006.*
- 7) *I also provided the Tender Bid Specification Committee with information such as the average number of kilograms of oxygen consumed per month. The average consumption was obtained from Afrox and based on consumption figures of the previous year per institution. These "Average Monthly Consumption (Kg)" figures were included to help the tenderers in their Bid to ensure they tendered for a plant that is capable of supplying sufficient oxygen during peak demand. The "Average Monthly Consumption (Kg)" figures were not supplied to provide any "guaranteed monthly consumption" to the tenderer and it was only provided with the intention to help the tenderer to size the PSA unit correctly. I was not a member of the Tender Bid Specification Committee and never attended any of their meetings. It is my understanding that Mr C Alexander (Alexander), who was formerly employed by the Western Cape Department of Health as an Engineer and thereafter employed by Intaka, attended the Bid Specifications Committee meeting to present the Committee with technical advice.*
- 8) *The Central Supply Chain Management component (CSCM) then appointed*

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*Alexander, Dr Sewlal, General Manager of the Infrastructure and Clinical Support Division, and van der Merwe as members of a Technical Committee to advise the Tender Bid Evaluation Committee (BEC) on technical aspects of the Bid. This was during February 2007 whilst I was acting in the position of both General Manager and Manager of the Infrastructure component. Alexander resigned from the Western Cape Department of Health during this period and Mr V Halvey (Halvey), a former employee of the Northern Cape Department of Health, was then appointed to replace Alexander and to serve on the Committee. It is my understanding that he is now also employed by Intaka. I was then tasked with providing assistance to Halvey on the technical aspects of the tender. I am not sure why Halvey was involved with the process because it is the responsibility of Infrastructure Component of the KwaZulu-Natal Department of Health to provide assistance to our BEC on technical aspects and we do have the necessary expertise and experience to do so. Hence, we did not require the Northern Cape's involvement.*

- 9) *Halvey attended a BEC meeting and, according to my understanding, made a recommendation to the Committee to visit all the sites where the tenderers have plants in operation in order to investigate the Technical Operation of these Units. I was then instructed to accompany Halvey and Mr Ntshangase, General Manager of CSCM on these site visits. We visited the following sites:*
- i. A PSA unit at Vryheid Hospital commissioned by Insmid (Pty) Ltd;*
  - ii. A PSA unit at uShaka Marine World commissioned by Dalingcebo Gas Consortium;*
  - iii. A Nitrogen Unit that was used in the Industry at Port Elizabeth commissioned by Afrox (Pty) Ltd;*
  - iv. A PSA unit at Rietvlei Hospital commissioned by Intaka; and*
  - v. The manufacturing plant of Intaka situated in the Western Cape.*
- 10) *Halvey prepared a Technical Report, which we had to present to the next BEC meeting based on our assessment of the units. I provided Halvey with a few technical points that he had to include in his report. I attended the BEC meeting that was held on 3 May 2007 and was provided with a copy of the Technical Report prepared by Halvey. I did not agree with the entire content of his report and made some handwritten notes on the document which was presented to the*



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*BEC as follows:*

- i. *The comment by Halvey under the heading "Insmmed (Pty) Ltd that "A point of concern is that the plant does not shut down when the oxygen concentration level drops"; and "The unit viewed was not set up as the one tendered for by the tenderer hence it leaves doubt whether it can operate as specified" is not correct. Although the plant tendered for is different to the one in operation it can operate as required and comply with the required specifications. It is also ISO 10083 certified and delivers a continuous supply of oxygen as required with the necessary bank of back-up cylinders.*
- ii. *I deleted the paragraph under the heading "Myriad Medical (Pty) Ltd". My reason for this was that the company does not have to my knowledge a PSA plant installed in South-Africa and hence not visited.*
- iii. *It is recommendation in the third bullet point that "the project be implemented in phases starting with district hospitals". I included "which presently have cylinder supply" to ensure that the Department will prioritise the implementation at smaller institutions.*
- iv. *It is recommended in the fourth bullet point that "When installing these units it is recommended that the PASSIVE system must be retained as a backup. I changed the word "recommended" to "essential" because it is vital to have a back-up supply of oxygen to ensure the continuous supply of oxygen at all times.*
- v. *I deleted the "Conclusion" because I did not agree with the statement that "Intaka was the most comprehensive functional PSA unit that was installed in South-Africa". It was up to the BEC to make the necessary recommendations after we provided them with technical advice.*

*I have never seen the minutes of the BEC meeting that was held on 3 May 2007 and cannot confirm the correctness thereof.*

- 11) *Malcolm Peters (Peters), who was employed at CSCM, requested me by e-mail dated 3 May 2007 to comment on a reply that he received from Insmmed regarding "when oxygen concentration level drop". This comment was based on the remark by Halvey in his Technical Report to the BEC that "the plant does not shut down when the oxygen concentration level drops" and was shortly after our presentation to the BEC. I replied to Peters on the same and stated that "it is*

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*completely acceptable and how I understood the operation of the plant from the start". The reply from Insmmed confirms that the statement in Halvey's Technical report iro Insmmed is incorrect.*

12) *I was invited to attend a Tender Bid Adjudication Committee (BAC) meeting that was held on 28 May 2007. I attended the said BAC meeting and made the following recommendations:*

- i. *I recommended that the implementation of the PSA units has to be done in phases, starting with the smaller Institutions; and*
- ii. *I was informed at the time by Mr Dave Gooden, Pharmaceutical Services, that oxygen was considered a medicine and had to be registered with the Medical Control Council (MCC). I sent the e-mail from Mr Goodin to Mr Buthelezi, who was the Chairperson of the BAC, on the following day 29 May 2007.*

13) *I did not attend any other BEC or BAC meeting iro Bid Number ZNB 7295/2006H thereafter. I can recall that Dr Barrett together with other Chief Specialist Anaesthesia employed by the KZN Department of Health voiced their concerns to me over a number of issues related to the installation of these oxygen concentrators prior to the award. I invited them to inspect the PSA plant at Murchison Hospital. This PSA plant had been installed as a pilot project by Intaka and known as the "Oxyntaka". They had a number of concerns about the safety and the standard of maintenance of the pilot project. I then scheduled a further meeting between Infrastructure Component and the group of concerned Medical Practitioners to discuss their concerns. The meeting was held on 13 July 2007 at the Health Technology Services, Wentworth Hospital. I was not in a position to address all their concerns and recommended that they draft a report to the HOD, wherein they raised their concerns. We have also tried to address some of these concerns. Dr Barrett has subsequently amongst other correspondence sent me an e-mail dated 9 July 2008 wherein he asked me to ensure that "all oxygen manufacturing plants comply with MCC registration" and quoted a paragraph from their report to the HOD that deals with the "Registration with Medicines Control Council". To my knowledge their concerns have never been sufficiently addressed or resolved. I agree with both Dr Barrett and Mr Goodin that oxygen is considered a medicine and has to be registered with the MCC.*

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- 14) *I attended to some queries from CSCM prior to the award in order to provide clarity on matters such as the average kg of oxygen consumed per month. It came to my notice that Intaka visited some hospitals prior to the award of the tender in October 2007. The installation of these units requires certain engineering standards wherein Infrastructure needs to ensure compliance. I then requested CSCM to communicate with us in the event that the tender is awarded to ensure compliance when the units are commissioned and tested before it is placed in operation.*
- 15) *I became actively involved with the commissioning of these PSA units after the tender was awarded to Intaka in December 2007. I attended a meeting with Intaka which was held on 31 January 2008. The purpose of the meeting was to ensure that all the installations comply with the original Bid that was included for compliance with the standard KZN Medical Gas Specification. The reason for compliance with this specification is that it covers all aspects of the installation of medical gas systems and details the technical as well as commissioning requirements. I handed a copy of this document to Intaka during the said meeting. I can make a copy of this document available if I am required to do so.*
- 16) *Further to our meeting it was agreed that a joint meeting be held at every Institution between Intaka, the Engineering Services Manager, Anaesthetist, Hospital Maintenance Supervisor and a staff member from Health Technology Services when the commissioning take place. A full explanation together with documentation detailing the functioning of the unit had to be provided to the Hospital staff. There is currently still an on-going debate between Intaka and the Department whether the PSA unit has to be ISO 10083 certified or if is only a "requirement" that the oxygen/gas mixture has to meet the requirements of paragraph 4.5 of the ISO 10083 standard, and if is a requirement to have a MCC registration certificate. To my knowledge these issues have not been resolved to date.*
- 17) *We agreed to a process going forward to avoid any unnecessary delays with the commissioning of the PSA units. The purity of the oxygen had to be measured and recorded by a Health Technology Services representative and witnessed by all the parties referred to in paragraph 16 above to ensure that the unit complies with the required purity and safety standards. I attended the commissioning of all*
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the PSA units commissioned to date and can confirm that the relevant procedure has always been followed. The units were always tested in the presence of a Health Technology Services representative before the plant could be placed in operation. Detailed hereunder is the relevant documentation that was completed after the commissioning of the PSA unit at Dundee Hospital. Similar tests were conducted at all the other Institutions.

- i. *A KZN Certificate of Acceptance witnessed and signed by the relevant parties dated 26 June 2008, which reflects the various tests that were conducted and results achieved.*
- ii. *A Certificate of Compliance for Electrical Installations that was carried out by Mr I van Reenen, an accredited person.*
- iii. *A letter I addressed to Intaka dated 30 June 2008, wherein I reported a number of items that required attention before the plant could be operational. The unit was switched off pending the finalisation of my queries.*
- iv. *Pressure Vessel Test Certificates conducted by Mechanical Marine & Boiler Engineers CC T/A Boiler Engineers on all the Vessels attached to the PSA unit at Dundee Hospital.*
- v. *A letter from Intaka addressed to me dated 8 December 2008, wherein Intaka confirmed that all my remarks and Intaka's responsibilities other than the MCC Certificate had been adhered to and that the PSA unit was restarted and operational.*

18) *Intaka commissioned twenty-three (23) x PSA units.*

19) *The commissioning of the aforementioned PSA units has been completed as indicated in the roll out plan of phase 1 and phase 2 of the tender. A few concerns/issues of significance were raised by me with Departmental staff during the commissioning of the PSA units. Some of these matters are not of a technical nature and include the following:*

- i. *Who is responsible for the provision of the passive back-up system and how will it be procured?*
- ii. *Whether it is a requirement for registration with the Medical Control Council?*
- iii. *Whether it is a requirement for an independent person to test the PSA unit*

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*and to certify that the unit comply with ISO 10083 before it can be placed in operation?*

- iv. CSCM has not notified each Hospital of the cost implication of this contract.*
- v. Who is responsible for the provision of diesel for the Intaka electrical generating sets?*

*20) Infrastructure Component is responsible to ensure that the commissioning of these plants are carried out according to the technical requirements and is not responsible or involved with payment to Intaka for services rendered. I therefore referred the various Institutions to CSCM for clarity on these issues referred to in paragraph 18 above. I also reported these concerns to CSCM for their further attention.*

*21) I attended a meeting that was held between the Department and Intaka on 6 April 2009 and raised a number of these concerns that I referred to in paragraph 18 above. The minutes of the meeting reflects a true and accurate record of events. Numerous letters were sent to Legal Services and CSCM in order to obtain clarity with regard to the abovementioned issues.*

*22) I prepared a Briefing Report on the said contract with Intaka to the current HOD, Dr Zulu, dated 21 August 2009 wherein I reported the current status of the contract. I also reported the issues that require clarity. To my knowledge these issues have not been sufficiently addressed or resolved.*

**Interview with Sherlene Moonsamy**

9.156 We conducted an interview with Sherlene Moonsamy (Moonsamy) Deputy Manager, Legal Services, KZN Department of Health. She reported to Kantha Padayachee. She only became involved on 10 July 2008 after the Agreement was signed. She provided us with an affidavit summarised hereunder:

P12

- 1) She attended a meeting with Intaka on 10 July 2008. At the conclusion thereof she prepared a memorandum to the HOD Dr Mbele dated 11 July 2008, where she advised that it was her interpretation of the Agreement, that it was Intaka's responsibility to provide back- up in the form of Oxygen cylinders.*
- 2) Despite Legal Services advise the meeting took a resolution that the Department would access a National Tender for the provision of the back-up (we are not in*

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possession of the minutes of the meeting and they are not available.

- 3) Her interpretation in respect of MCC requirement is that they were legally obliged to comply.
- 4) On 6 April 2009 she attended another meeting on behalf of Kantha Padayachee; the issues discussed included the back-up of oxygen and Intaka's registration of the MCC. She confirmed compiling a memorandum dated 9 April 2009 addressed to Kantha Padayachee. I have already discussed this memorandum in detail per annexure L15 to this report and needs no further discussion.
- 5) She further stated that the Schedule to the Agreement Annexure B was not discussed at the meeting held on 6 April 2009 and she is not aware that Dr Mbele had signed any addendum to Agreement. Hence, she disputes Legal Services had been consulted on the matter at the meeting in question.

**Interview with Steven Reece**

9.157 We conducted an interview with Steven Reece a director of Insmmed (Pty) Ltd. We obtained an affidavit from him in respect of Insmmed's Bid and subsequent developments, which is detailed below:

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- 1) *Insmmed is a manufacturer and supplier of oxygen manufacturing machines, also known as the PSA unit, which generates medical oxygen and medical air, providing a cost effective supply of oxygen on demand. It is a good alternative to traditional oxygen supply at smaller institutions. Insmmed commissioned a PSA unit at Vryheid Hospital during April 2005. The commissioning of the PSA unit was part of a "Pilot Project" initiated by the Department to determine the feasibility of a PSA unit as opposed to the supply of oxygen cylinders to the hospital. The unit is currently in good working order and operational*
- 2) *I recall that there was an advertisement in the Sunday Times newspaper during the latter part of 2006 wherein a Bid for the supply of "On-Site Manufacturing and Delivery of Bulk medical Oxygen and Medical Air to various institutions in KwaZulu-Natal" was advertised. I do not have a copy of the advertisement. We (Insmmed) supply amongst other products PSA units and agreed to submit a Bid for the said tender.*

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- 3) I attended some of the compulsory site inspections that were held at various Departmental Institutions in KwaZulu-Natal during January and February 2007, whilst Tom de Scally, another director of Insmmed, attended the others. We had a meeting amongst our directors of Insmmed thereafter to discuss the tender and requirements by the Department. We agreed that it would not be feasible for Insmmed to tender for the bigger hospitals such as Greys Hospital, which is situated in Pietermaritzburg and Addington Hospital, which is situated in Durban. The demand for oxygen at these institutions are big and we cannot compete competitively with suppliers of oxygen, i.e. Afrox, who is situated near these hospitals that can supply liquid oxygen and oxygen contained in cylinders at a very reasonable price to the bigger institutions. We then prepared our Tender Bid document for Tender Number ZNB 7295/2006H to supply PSA units at the smaller institutions as listed hereunder:
- i. Benedictine Hospital;
  - ii. Bethesda Hospital;
  - iii. Charles Johnson Hospital;
  - iv. Greytown Hospital;
  - v. Ithselejuba Hospital;
  - vi. St Francis Hospital;
  - vii. Eshowe Hospital;
  - viii. Lower Umfolozi;
  - ix. Nkandla Hospital;
  - x. Ngwelezane Hospital; and
  - xi. Niemeyer Hospital.
- 4) It was resolved at a meeting of the complete Board of Directors of Insmmed held on 7 February 2007 that Mr Thomas P de Scally, in his capacity as Director, be authorised to sign the tender and any other document to give effect of the proposed offer. Hence, our tender document was signed by Mr de Scally on 13 February 2007 and submitted to the Department on 15 February 2007 before the tender was officially closed. I was later informed that the tender was awarded to Intaka.
- 5) Insmmed lodged an appeal against the award to Intaka shortly after the award was published. The Department replied to us in writing dated 1 August 2007 in
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*response to our letter of appeal, wherein they stated in paragraph 3 of the said letter that "This unit is functional but is not supplying low pressure air to the Hospital". It is not clear what the Department meant by this statement and it is not factually correct. Our PSA unit at Vryheid Hospital is capable of delivering "High" and "Low" pressure air. The Unit have a High Pressure Booster for filling up "back-up" cylinders, ensuring that a "back-up supply" of oxygen is always available to the hospital in the event that the oxygen level drops. The back-up supply then automatically kicks in to ensure the continuous supply of oxygen. The unit has an alarm system in place that serves to inform the responsible staff in the event that the "back-up" oxygen is in use.*

- 6) *I attended the Bid Appeals Tribunal on behalf of Insmed that was held in Pietermaritzburg on 22 August 2007. Our submission to the tribunal comprised of the following:*
  - i. *Our PSA unit at Vryheid does have the capacity to produce low pressure air although the unit had been installed under a different contract which did not require the low pressure air option. Hence, the reason for our disqualification was incorrect.*
  - ii. *We doubted the technical abilities of the Unit offered by Intaka given its relatively low price in comparison to us. The Unit offered by Insmed included all the technical specifications as required by the Department in the Bid Specification document including the supply of a "back-up" system.*
- 7) *Our appeal was rejected whereafter the tender was awarded to Intaka. I wish to comment briefly on what my understanding was of some of the requirements as stipulated in the Bid Specification document prepared by the Department.*

**Back- up supply of oxygen through oxygen-filled cylinders**

- i. *The "Scope" of the Bid Specification stipulates that "The intention is to have in the provincial hospitals a unit to produce their own continuous on-line oxygen and medical air, on site, ending regular oxygen and medical air purchases.*

*Item 6 of the Bid Specification document reads as follows:*

*"It is the intention of the Department of Health (D.O.H.) to eliminate the*

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*purchase of Medicinal Air and Oxygen in cylinders due to the high cost of such mode of supply.*

*Instead the D.O.H. envisages having cylinders, at same hospitals, filled with Medical Oxygen from the Generating Units specified in this Bid.*

*The bidder is therefore free to elaborate and give indication of such capability to supply the D.O.H. with cylinders, under rental, to be filled from the generating units, during off peak demands, as well as the capability to supply the cylinder filling equipments necessary for such operation".*

- ii. *It is clear from the aforementioned information contained in the Bid Specification that the bidder is responsible for supplying "continuous" oxygen and medical air, which will include a unit that provide back-up oxygen to the Department. Our price tendered for included the supply of back-up oxygen at all the institutions tendered for and it had an effect on our price per kg of oxygen tendered for. The word "Booster" included in the "State of Delivery Period" on the Price Page for every Hospital on the Tender Bid document refers to the said Back-up that is included in our PSA unit. It is detailed in our "Offer" attached to the "Price Page" under "Note" which reads as follows: "System sized to accommodate average consumption as specified in the Tender Document and the "Back-up" System to sustain peak demand".*

**Compliance with ISO 10083 standards**

- i. *The purpose of the aforementioned International Standard is to specify minimum safety and performance requirements for oxygen concentrator supply systems used to deliver oxygen-enriched air to a medical gas pipeline distribution system such as the PSA unit. One of the objectives of the ISO 10083 standard is to ensure that tests are carried out after installation and certified by an authorised person who is qualified in the testing of medical gas pipeline systems before the system is used. The testing of the plant will be carried out on the entire Unit to ensure that it complies in its entirety with ISO 10083.*
- ii. *Paragraph 11 of the Bid Specification document referred to a "Schedule of Information" that had to be completed by the tenderer for every Departmental Institution. The "Schedule of Information" included amongst others the following*

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questions:

*"11.2 Does the oxygen enriched air comply with ISO 10083....."*

*11.6 Does the equipment comply fully with the specification? Yes/No....."*

- iii. *The above questions indicated to me that it was the Department's intention to ensure that the PSA unit comply in its entirety with ISO 10083. Hence, this will include that the Unit has to be tested and then certified by an authorised person who is qualified to do so after installation of the Unit and before it is used. Our PSA plant at Vryheid Hospital is ISO 10083 certified and complies with the standard. We have completed the "Schedule of Information" for all the Departmental Institutions that we tendered for and answered the above two (2) x questions in the affirmative due to the fact that our PSA plant deliver oxygen enriched air that complies with ISO 10083 in its entirety, which include the testing and certification there-of.*
- 8) *We have considerable doubt whether Intaka offered the type of system with the same technical capabilities as that offered by Insmed to the Department, given its relatively low price in comparison to us. Our PSA unit tendered for included all the features and specifications prescribed in the Bid Specification document, including a back-up of oxygen supply, which had a considerable effect on our price per kg of oxygen tendered for".*

**Comparison and calculation of payments made to Intaka based on Guaranteed Minimum Usage as opposed to actual usage**

- 9.158 Based on the information and affidavits provided by various Departmental Officials already discussed in this report, the Bid Specification documents and the Agreement, it is apparent that the Department intended in their Bid Specification document only to pay for actual kilograms of oxygen consumed at each of the 52 hospitals. Further, the Department has been signature to only one (1) x Schedule to Annexure B where they agreed to pay for a "guaranteed minimum usage" per month; for Benedictine Hospital at 5,000 kg's per month. Dr Mbele who signed the Agreement and the said Schedule for Benedictine stated that it was never her understanding the Department had guaranteed to pay Intaka for a "Minimum Usage" of oxygen. She signed the Agreement and the said Benedictine Schedule as she was being advised by her

K41/4

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Legal Department. It is also my interpretation that the wording of the Agreement is in conflict with the Bid Specification document, in so far as payment is concerned, and in this case the Bid Specification document stipulated that the Department would pay for actual usage takes preference.

9.159 Based on the above interpretation we attempted to obtain the month end meter reading for each of the 23 hospitals where the Oxyntaka Plants were installed and commissioned, and compare these readings to the quantity of Oxygen charged by Intaka on a monthly basis per hospital as recorded on their invoices.

9.160 We requested records of all month end-meter readings from the hospitals from the date of commissioning. We did not receive all records that reflected the month end readings; the readings were conducted on various dates and intervals that made performing a complete exercise difficult. It is my understanding that Intaka has access to these readings sent to them via GPS; however the hospitals have insufficient records. I thus selected six (6) x hospitals where we were in possession of accurate and reliable month end meter readings, from both the hospitals and Intaka invoices. The purpose thereof was to compare the hospital records to each of the Intaka invoices submitted for payment where they recorded the month end meter readings and for which Intaka received payment.

161 We performed the said analysis for the 6 hospitals and prepared a spreadsheet detailing the information from the said source documents. The spreadsheet consists of a number of columns as detailed and explained hereunder: R1/1  
R1/2-13

- 1) Column A: the name of the hospital.
- 2) Column B: the date the Oxyntaka plant was commissioned.
- 3) Column C: the flow meter reading as provided to PwC by the hospital.
- 4) Column D: the date the flow meter reading was provided to PwC by the hospital per column C.
- 5) Column E: the total usage kg's of oxygen obtained from the Intaka invoices, as calculated on the individual spreadsheets per hospital. R1/2-13
- 6) Column F: the rate per kg charged by Intaka per their invoices (inclusive of VAT).

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- 7) Column G: the rate per kg charged by Intaka per their invoices (exclusive of VAT).
  - 8) Column H: the total payments made to Intaka per their invoices and BAS records.
  - 9) Column I : flow meter reading as provided to PwC by the hospital as recorded in column C and adjusted to take into account the additional days to the end of the month i.e. 30 November 2009 where necessary.
  - 10) Column J: Prejudice (kg's) suffered by Department being the difference between the actual flow meter reading (column I) and the total usage kg's of oxygen obtained from the Intaka invoices (column E).
  - 11) Column K: Prejudice (rands) suffered by the Department based on the number of kg's multiplied by rate per kg charged by Intaka per their invoice (inclusive of VAT) per column F.

9.162 The Department has been overcharged and suffered prejudice in the amount of R1,031,888.72 for the six hospitals subject to our analysis. This amounts to an overcharge of approximately 45% of the total amount paid to Intaka for the 6 hospitals (R2,288,069.17). R1/1

**Cost of Back- Up**

9.163 Similarly, based on the information and affidavits provided by various Departmental Officials already discussed in this report, the Bid Specification documents and the Agreement, it is apparent that the Department's Bid Specification document intention is to have in the provincial hospitals a unit to produce their own continuous on-line oxygen and medical air, on site, ending regular oxygen and medical air purchases, due to the high cost of such mode of supply. In addition the Department envisaged having cylinders at these hospitals filled with Medical Oxygen from the Generating Units specified in the Bid. Intaka in their Bid listed the "Cost effective filling of cylinders for clinics" as one of the additional benefits of the Oxyntaka. At no stage in their Bid or the Agreement did Intaka state that their Bid and Unit excluded the Back-Up. It is therefore my submission that Intaka was responsible for the back-up and associated costs thereof. Both Westwood and the other Bidders we interviewed confirmed their Units in their Bids included a back-up and this was included in their

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Bid price. This was also the view of Intaka's Oosthuizen as recorded in the Intaka records.

9.164 The Department only became aware of the back-up being in dispute after the tender was awarded to Intaka and after the Agreement had been signed. This was never resolved and as a result Intaka did not fulfil their obligation in terms of the Bid Specification document, their Bid and the Agreement entered into with the Department. The Department was forced to obtain a Back-Up system for each of the 23 hospitals commissioned to date from AFROX for the Departments expense.

9.165 We determined the date of Commissioning of each plant at each of the 23 hospitals from Westwood. He provided us with a letter dated 21 August 2009 addressed by him to the HOD, wherein he provided the date of commissioning for 14 hospitals in Phase 1 and 9 hospitals in Phase 2. Note that all the issues with the Intaka tender and contract are again referred to by Westwood in this letter, including who was responsible for the Oxygen passive backup.

R2/1-3

9.166 We further had determined that AFROX provided the backup for all 23 hospitals in terms of their National Tender. We requested AFROX to provide us with the cost of back up supply for each of the 23 hospitals since the date of commissioning of each. AFROX provided us with a spreadsheet detailing the Cost of Back Up Supply at PSA Supplied Hospitals from the date of PSA Commissioning. It reflects payments amounting to R2,348,980 were made to AFROX. These costs should have been for Intaka's expense, however the Department has paid AFROX the full amount. I have not verified the accuracy of the AFROX calculation nor examined any supporting documents.

R2/4

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**Summary of Findings**

9.167 Detailed below is a summary of significant findings from the investigation conducted into the Oxyntaka Tender awarded to Intaka:

- 1) Intaka, an entity based in the Western Cape, received a tender awarded to them for the "On site manufacture and delivery of bulk medical air and oxygen for clinical use at Provincial Hospitals of the Department of Health, in KwaZulu-Natal".
- 2) The awarding of the tender was preceded by the compilation of a Bid Specification document. The Bid Specification document was prepared by Westwood of the KZN Department of Health Infrastructure Development component, who used a document prepared by the Western Cape, Department of Health as a starting point. He made the necessary changes to the document so that it was relevant to the KZN Department of Health. He prepared a similar document for Rietvlei Hospital, that resulted in the awarding of an order to Intaka for the provision of an Oxyntaka plant for the said hospital, that fell outside of the tender investigated by us. K2  
J1
- 3) A number of changes were made to the Bid Specification document prepared by Westwood. These changes were made as a result of collusion between Nyembezi and Savoi of Intaka, who manipulated the process in the interests of Intaka, whilst attempting to limit any other potential bidders. Hence, the Bid Specification document was changed based on correspondence between Savoi and Nyembezi, prior to the Tender being advertised. It is further evident that Savoi and Nyembezi had a "personal" relationship that extended beyond a client/supplier relationship, to the detriment of the KZN Department of Health. This is evident in the various e-mails sent between them to Nyembezi's private e-mail address and not to her official e-mail address or that of her personal assistant Cheatile, the majority of which are after official working hours. I refer specifically to the following e-mails as examples: K3,K4,  
K4A,N1,  
N1A,N2
  - i. 31 July 2006 at 07:39pm 11/15-16
  - ii. 3 August 2006 at 01:15pm. 11/17-18
  - iii. 8 August 2006 at 07:12pm. 11/19-25

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iv. 10 August 2006 at 06:58pm.	J2/5
v. 15 August 2006 at 07:49pm.	J2/2
vi. 25 August 2006 at 05:09pm	K4A/1-3
vii. 30 August 2006 at 05:17pm.	K4A/4-6
viii. 17 October 2006 at 08:12pm.	K4A/7-9
ix. 26 October 2006 at 10:56am.	K4A/10
x. 27 November 2006 at 06:45pm.	N1/1
xi. 29 November 2006 at 12:02pm	N2/1
4) The final Bid Specification document was presented to the Departmental Bid Specification Committee on 30 November 2006. It was reported in the Bid for Ratification submission to the said meeting that some of the specifications were approved by the Head of Department for Rietvlei Hospital and Alexandre (who was employed as a Chief Engineer by the Western Cape Department of Health) was used as a technical advisor. The Bid for Ratification was approved by Nyembezi on 7 December 2006, shortly after her final personal communications with Intaka on 29 November 2006 relating to changes to the Bid Specification document, as detailed in 3), i. to xi. above.	K7 K5-K6  K6/2 K7
5) Intaka submitted their Bid on 13 February 2007 under signature of Praderi following the advertising of the Bid in December 2006 with a closing date of 15 February 2007. Intaka's Bid provided for a total bid price per kg of oxygen per hospital for 53 hospitals. They further confirmed that their bid complied with the specifications per the Bid Specification document.	K9 K8 K9/67-119 K9/240+ K9/189
6) On 28 February 2007 Ntshangase sought authority from Nyembezi for the formation of a Technical Committee to evaluate the technical aspect of the Bid before submission to the Bid Evaluation Committee. Alexander employed at the Western Cape Department of Health at the time, was included in the said proposed committee, but was withdrawn based on the following note of Ntshangase: <i>"having discussed the composition of the committee with the HOD and she advised that C Alexandre should be withdrawn as he is now employed by one of the service providers of bulk oxygen and she was also going to get the name of the engineer in Western Cape who took over from him"</i> . Alexandre had left the Western Cape Department of Health and joined Intaka.	K12  K13
7) Halvey of Technical Support Services Northern Cape Department of Health, who	

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- took over from Alexandre did a presentation to the TEC meeting on 23 March 2007. The TEC recommended a full investigation into monthly consumptions of medical oxygen and authority for Halvey to be part of the investigation is obtained. K14/1-4
- 8) The Technical Committee comprising Westwood and Halvey did a presentation to the BEC meeting of 3 May 2007. It was resolved that amongst others that sites needed to be prepared and registered with MCC and Bidders need to supply certification that they are ISO 10083 compliant. The BEC recommended the bid be awarded to Intaka for all hospitals for 4 phases. K15
- 9) The BAC meeting of 9 May 2007 resolved the next meeting be aligned with Westwood's availability. The BAC meeting of 28 May 2007 did not accept the recommendation of the BEC to award the bid to Intaka and sought clarity on a number of issues including: Confirmation of compliance with ISO 10083; and clear reasons as to why companies were eliminated. Westwood also advised the BAC that he had determined that Oxygen is considered a registered medicine and must be registered with the MCC. K16  
K17
- 10) The BEC meeting of 29 May 2007 recommended the matter be referred to the Accounting Officer as the BEC was abiding by the decisions of the Technical Committee and decisions made by the BEC (of 3 May 2007). K18
- 11) The BAC meeting of 4 June 2007 was informed by Buthelezi that Ntshangase had submitted a letter that Intaka did comply with ISO 10083. The BAC approved the tender be awarded to Intaka subject to either the production of the ISO compliance certificate or the provision of a letter detailing the extent of compliance with ISO. K19
- 12) A Submission was thereafter prepared and submitted to the BAC on 25 June 2007, which was approved by Buthelezi on 26 June 2007 and validated by Nyembezi on the same day. In terms thereof it was recommended that the tender be awarded to Intaka who was "*the only bidder who fully complied with the specifications*". K20
- 13) Attached to the said Submission are annexures A to E. Annexure A signed by Ntshangase recommended the Tender be awarded to Intaka for 25 hospitals, subject to the drafting of a service level agreement which should address the issues raised by the BEC at their meeting held on 3 May 2007, discussed in 9) K21  
K15
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above. Annexure B a Technical Report signed by Halvey, however Westwood informed us that he had disagreed with the content of the said report and that it was to be amended. There is no evidence that it was amended, and the same report was provided to the Appeals Tribunal. Annexure D details the costs per hospital for 53 hospitals. Intaka indicated that there would be no cost for 7 hospitals. The total cost for the 53 hospitals (including 7 at no cost) for 60 months <u>based on estimated monthly kg's</u> is R93,843,180. Annexure E includes a letter from Intaka arguing that the Bid called for the Oxygen enriched air to comply with the minimum oxygen concentration and purity as stated in ISO 10083, and that it does not require the equipment to be ISO 10083 compliant. This was one of the changes manipulated by Savoi and Nyembezi in the Bid Specification document previously discussed.	K22 K28/64 K24 K25 K4A/3
14) The BAC however only approved the awarding of the tender at its meeting held on 27 June 2007, a day after Buthelezi had approved the Submission and it had been validated by Nyembezi. It was further recorded in the minutes that the concerns raised by Westwood at the BAC meeting (28 May 2007) had been addressed and resolved at the BEC meeting. There is no evidence of this. Reference was made to a meeting held on 22 June 2007, where the above matters were discussed and resolved. We determined that this was not an official BAC meeting on 22 June 2007 and no minutes were taken. Buthelezi and other members of the BAC were called to Ntshangase's office where informal discussions were held. This undermined the independence of both the BEC and BAC and is irregular.	K26
15) The Appeal process was held on 20 August 2007 and was flawed as the Chairman of the Bids Appeal Tribunal and/or the other members of the BAT did not take into consideration a letter addressed to Mr M Francis, Chairperson of the BAT, dated 14 August 2007 from one of the appellants Myriad Medical. Some of the information provided by Mr Mthethwa of Treasury on behalf of the Department of Health at the hearing was false. The reasons for the appeal as disclosed in the said Myriad Medical letter coupled with Mthethwa's false information creates significant doubt about the findings of the Tribunal. Intaka also mislead at the hearing as they were aware of an investigation by the NPA into Intaka in November 2006. The BAT recommended the Minister reject the	K28-K29 K29/40-46 K29/47-57 M4-M5 K29/57

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Appeals and confirm the decision of the Department to award the tender to Intaka.

- 16) The Secretariat of the BAT falls under Provincial Treasury. The BAT sent their findings to Sipho Shabalala as Head of Provincial Treasury on 23 August 2007. Shabalala who like Nyembezi had a personal relationship with Savoi, which is evident based on e-mails sent to his personal e-mail addresses and the wording of the e-mails. On 24 August 2007 Shabalala sent a sms to Savoi *"Amigo hearing went very well. Expecting results early next week"*. This was prior to Shabalala sending the findings of the BAT to the Minister and the Minister approving same on 30 August 2007. This is highly irregular, it reflects on the personal relationship between Savoi and Shabalala and the impartiality of Shabalala, to the detriment of the Department of Health and the 3 Appellants. Savoi in his affidavit dealt extensively with his communications with Shabalala, who he also alleged requested a donation for the ANC from him.
- 17) Prior to an Agreement being entered into between the Department and Intaka, a number of issues arose that were not sufficiently dealt with or finalised, by both Nyembezi and Mbele:
- i. Concerns in respect of ISO 10083, SABS specifications and registration with the MCC raised by a group of Departmental Anaesthesiologists.
  - ii. Concerns in respect of MCC registration, Oxygen Peak Flow, a Passive back up system and ISO 10083 compliant, raised by the Departments Legal Services.
- 18) An Agreement was entered into between the Department and Intaka and signed on 13 December 2007 by Dr Mbele on behalf of the Department and Praderi of Intaka. There were a number of concerns with the Agreement compiled by Intaka and edited by Kantha Padayachee. She was uncomfortable with the Agreement and included the Bid Specification document and attached it as part of the Agreement. It cannot be determined with certainty who was placing pressure on Dr Mbele to sign the Agreement. She knows very little about the Agreement and was unable to remember or answer a number of questions put to her. Of significance is that the Bid Specification document Part B provided the bidders with "an average monthly consumption (kg)" for each hospital. However, the Agreement referred to "minimum usage", "minimum rental" and "proportional

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rental", whilst the Schedule to Annexure B to the Agreement to be completed for each hospital consisted of one page only and was not completed reflecting relevant quantities and amounts, at the time the Agreement was signed. I have been provided with only one Schedule to Annexure B that has been signed by both parties to the Agreement, for Benedictine Hospital. This schedule has made provision for a "guaranteed minimum usage" per month. Further, the Bid Specification document was clear and unambiguous in so far as payment was determined, section 7.2 *"All payments shall be made to the contractor, monthly in arrears based on the amount of kilograms consumed"*.

K41/4

- 19) The wording of the Agreement is in conflict with the wording of the Bid Specification document in respect of the basis upon which the Department would be charged for the Oxygen. Clause 3,2 of the Agreement makes provision for such a circumstance in which case the Bid Specification document takes preference.

K39/3

- 20) Peggy Nkonyeni was present at IALC Hospital on 13 December 2007 when the Agreement was signed. On 14 December 2007 she sent the following sms to Savoi: *"Doc! The contract was signed yesterday although your guys were not happy with maintenance and few other things buy they were cruched because of what was reflected in the bid document. Next time we'll have to be more careful and perhaps u need to cancel the donation since u r losing on maintenance, what do u suggest? Peggy"*. It is evident that this is a personal message between Nkonyeni and Savoi. She was aware of the contract being signed, that Intaka was liable for the maintenance (due to the Bid Specification document including same) and that she was conspiring with Intaka going forward to the detriment of the Department for which she was the MEC.

K39A

- 21) Subsequent to the signing of the Agreement and prior to implementation of the project and commissioning of the plants at the 25 hospitals approved by the BAC, a number of issues again arose with regard to Intaka's responsibility in terms of the Agreement and significantly the Bid Specification document that formed part of and was attached to the Agreement as previously indicated, as detailed below:
- i. The provision of a passive back-up system.
  - ii. Legal compliance and registration with the Medical Control Council.
  - iii. ISO 10083 compliance.

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- iv. The hospitals being informed by SCM of the cost implication of the provision of the oxygen from Intaka and who would be responsible for same.
- v. The issues raised by the Anaesthetists who were concerned with the implications of non-compliance and patient safety.

22) Dr Mbele at a meeting held on 10 July 2008 advised that SCM look at the Department accessing the back up from the National Treasury Tender, despite the Departments Legal Services advice that the contract provides that Intaka should provide the back up. I am unable to determine the basis upon which Mbele made this decision and she was unable to provide me with an explanation. The issues of MCC registration and ISO 10083 compliance were never satisfactorily resolved according to my understanding. I have further not been able to determine the basis upon which the hospitals are approving payments to Intaka on a monthly basis, and what document they are relying on to confirm the amount to be paid as the Annexure B's have never been signed.

L7

23) The other tenderers provided Bids that included provision for a passive back up in their price; I confirmed this with Insmmed. Hence, their prices could not have been compared with Intaka's as Intaka's bid excluded back up and the Department had to incur additional costs in this regard after the back up was sourced via the National Treasury Tender. Additional costs for diesel for the generators were also incurred by the Department.

24) Mr Oosthuizen of Intaka commented on his understanding of the Agreement in a meeting at Intaka on 23 January 2008: Intaka has implied that their unit (plant) offered is ISO 10083 compliant (as opposed to their argument with the Department that only the purity of the oxygen is ISO 10083 compliant); that they will supply the whole entire system, primary, secondary and reserve supply; and to clause 18.4 of the Agreement namely that the lessor (Intaka) guarantees that the equipment will be supplied with a back up system, as provided in the bid specification document. Mr Oosthuizen again commented at an Intaka meeting on 30 January 2008 and confirmed that the machines are being installed with no back up.

M12

M13

25) The Department per the Bid Specification document agreed to pay for "actual quantity of oxygen", however Intaka invoiced the Department based on a



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- "guaranteed minimum usage" per month, or when the actual usage exceeded the guaranteed minimum usage they charged for actual usage. As a result the Department has been overcharged and suffered prejudice in the amount of R1,031,888.72 for 6 of the 23 hospitals commissioned to date, where we had reliable and accurate records. This amounts to an overcharge of approximately 45% of the total amount paid to Intaka for the 6 hospitals (R2,288,069.17). R1/1
- 26) The Department has paid AFROX R2,348,980 for the provision of back up from the date of commissioning of the 23 Oxyntaka plants commissioned by Intaka, during which time they also paid Intaka for the self- generating oxygen. The back up costs should have been for Intaka's account. R2/4
- 27) The collusive behaviour amongst Intaka (represented by Savoi) and Nyembezi has resulted in the Department approving and advertising a Bid document and entering into an Agreement that was manipulated from the outset and that will potentially cost the Department approximately R93,843,180 over a five year period. In addition the Department will incur additional costs for back up that would have been included in the price of the successful bidder if the Bid was not manipulated in favour of Intaka.
- 28) It would appear that Dr Nyembezi and Dr Mbele, by approving the engagement of Intaka to supply self generating oxygen units, contravened:
- The provisions of section 217 of the constitution of the Republic of South Africa Act 108 of 1996 in that:
    - They failed to follow a procurement system which is fair, equitable, transparent, competitive and cost effective.
  - Section 38(1)(a)(b)(c) of the PFMA in that they failed to:
    - Maintain effective, efficient and transparent systems of financial risk management and internal control;
    - Implement an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;
    - Ensure that processes and procedures were in place for the effective, efficient, economical, and transparent use of the institution's resources; and

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- Exercise reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure.

  
**T S White**  
**Director: Forensic Services**  
**24 May 2010**



# 8



TSW 8

In the matter between:

THE STATE

And

GASTON SAVOI  
BUSISIWE MURIEL NYEMBEZI  
FERNANDO PRADERI  
DONALD KEITH MILLER  
RONALD JAMES GEDDES  
ANSANO ROMANI  
VICTOR NTSHANGASE  
INTAKA INVESTMENTS (PTY) LTD/ INTAKA TECH (PTY) LTD/ INTAKA  
HOLDINGS (PTY) LTD

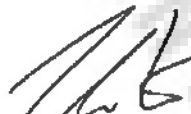
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ACCUSED 5  
ACCUSED 6  
ACCUSED 7  
ACCUSED 8

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REPORT OF TREVOR SEAN WHITE

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Dated	24 May 2010
Specialist field	Chartered Accountant and Forensic Auditor
On behalf of the Prosecution	The Director of Public Prosecutions
On the instruction of	The Department of Health KZN
Subject matter	Investigation conducted into the purchase of Water Purification Plants from Intaka Investments (Pty) Ltd

  
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**ABBREVIATIONS AND TERMINOLOGY**

The following are abbreviations and terminology that have been used in this report:

<b><i>Abbreviated name/ terminology</i></b>	<b><i>Full name and/or description</i></b>
BAS	Basic Accounting System
Beatrice Shabalala	Beatrice Ntombenhle Otrina Shabalala
Biyela	Ndodo Biyela, Chief Financial Officer
Buthelezi/ CFO	ASS Buthelezi, ex- Chief Financial Officer
Cheatle	Samantha Cheatle (Foulkes), Personal Assistant to Dr Nyembezi
CSCM	Central Supply Chain Management
Don Miller	Donald Keith Miller, Imvusa Stainless
Dr Nyembezi	Dr BM Nyembezi, ex- Head of Department
Dr Sewlal	Dr A Sewlal, General Manager, Infrastructure Development
Grotto	Grotto Manufacturing (Pty) Ltd
HOCF	Head Office Controlled Fund
HOD	Head of Department
IALC Hospital	Inkosi Albert Luthuli Central Hospital
Imvusa	Imvusa Stainless CC
Intaka	Intaka Investments (Pty) Ltd, Intaka Tech (Pty) Ltd, Intaka Holdings (Pty) Ltd
Kantha Padayachee	Prenitha Kantha Padayachee, General Manager, Legal Service, DOH
Mkhwanazi	Lindelihle Henry Mkhwanazi, Rowmoor
Mthembu	Nozipho Mthembu, Manager, Human Resources Strategic Planning
Mulder	Tammy Crous, Senior Administrative Clerk, Corporate Governance

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<b>Abbreviated name/ terminology</b>	<b>Full name and/or description</b>
Mvuyane	Linda Mvuyane, Office Administrator, Office of the CFO
Nkonyeni	Ms Peggy Nkonyeni, Ex- MEC KZN Department of Health
Ntshangase	VRM Ntshangase, General Manager, Budget and Supply Chain Management
Pandaram	Joelene Pandaram, Senior Administrative Clerk, Infrastructure Development
PA	Personal Assistant
PFMA	Public Finance Management Act, Act 1 of 1999
PMSC	Provincial Medical Supply Centre
Praderi	Fernando Praderi, Intaka
Prash Padayachee	Prasheeka Padayachee, General Manager, Corporate Governance, IGR and ISC
PwC	PricewaterhouseCoopers
Rabie	Ron Rabie, Invusa Stainless
Romani	Ansano Romani, Invusa Stainless
Ron Geddes	Ronald James Geddes, Westpro
Savoi	Dr Gaston Savoi, Intaka
SAPS	South African Police Services
SCM	Supply Chain Management
SCM Delegations	Department of Health, Interim Supply Chain Management Delegations
Sipho Shabalala	Sipho Shabalala, ex- Head Provincial Treasury and husband of Beatrice Shabalala
Skyros	Skyros Properties (Pty) Ltd
Skyros Medical	Skyros Medical Supplies (Pty) Ltd

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<b>Abbreviated name/ terminology</b>	<b>Full name and/or description</b>
The Department/ DOH	KwaZulu-Natal Department of Health
Tony Gerrans	Tony Gerrans, Grotto
van der Merwe	Gerhardus van der Merwe, ex- Manager, Infrastructure Development
WD Khanyile	WD Khanyile, Manager, Environmental Health
Westpro	Westpro Fluid Handling Systems (Pty) Ltd
Xulu	Lindie Xulu, Administrative Clerk, Infrastructure Development
Zondo	Andile Zondo, Manager, Central Supply Chain Management

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**A. . AUTHOR'S DETAILS**

**1.000 Name**

1.001 Trevor Sean White.

**2.000 Personal details**

2.001 I am a male with identity number 6611245014087, 43 years old. I am a director of PricewaterhouseCoopers Advisory Services (Pty) Ltd, 102 Stephen Dlamini Road, Berea, Durban with telephone number (031) 2712000.

**3.000 Experience and qualifications**

3.001 I joined Price Waterhouse in 1989, and was admitted as a director of PricewaterhouseCoopers on 1 July 1998, following the merger of Price Waterhouse and Coopers and Lybrand. I am presently the director in charge of the Risk Advisory Services department, which incorporates the Forensic Investigations Department of PricewaterhouseCoopers in KwaZulu-Natal.

3.002 I have conducted numerous fraud investigations for both public and private sector clients and have given evidence in the South African High Court and the Regional Court and in the Lesotho High Court. I have also presented evidence to a Commission of Enquiry, the Commission for Conciliation, Mediation and Arbitration ("CCMA") and at various disciplinary hearings. I am trained in auditing techniques and hold a Bachelor of Commerce degree and Post Graduate Diploma in Accountancy from the former University of Natal Durban. I was also admitted as a member of the South African Institute of Chartered Accountants in 1992. I am a Certified Fraud Examiner, being admitted as a full member of the Association of the Certified Fraud Examiners, a Texas based organisation, in 1998. I have been involved in a number of business valuations and performance audits. My specialist field is Forensic Auditing and as such I have extensive experience in analysing,

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reviewing and verifying financial information and accounting records. I have also chaired three investigative Commissions of Enquiry into Fraud and Corruption in Swaziland.

**B. . MANDATE AND ISSUES TO BE INVESTIGATED**

**4.000 Appointment**

4.001 The terms of our appointment are detailed in our agreement which was signed by Dr YL Mbele (Dr Mbele), Acting Head of Department, the KwaZulu- Natal Department of Health (the Department), on 20 May 2009. Our mandate was further extended as detailed in our agreement which was signed by Mr N. Biyela (Biyela), Chief Financial Officer, of the said Department on 9 February 2010.

4.002 The following represents the General Procedures performed:

1. Requested and received Basic Accounting System (BAS) reports for Intaka who received orders for the supply of Water Purification Systems and Oxyntaka Plants and were paid by the Department.
2. Obtained supporting payment vouchers.
3. In respect of the tender and/or other procurement procedures followed and where applicable obtained:
  - the bid specification document; the bid document; compulsory briefing/ site meeting documents; all tenders submitted; minutes of the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee; and any objections raised;
  - Request for quotations, copies of quotations, minutes of Committee meetings referred to above and letter of award.
4. Interviewed the following officials and obtained affidavits where necessary:

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chairman and members of the bid specification, evaluation and adjudication committees; Head/ Manager of Infrastructure Development; Head Legal Services; Manager Supply Chain Management; the HOD's secretary; the former CFO; Doctors/ Anaesthetist's who had objections to the self-generating oxygen; and Hospital Managers.

5. Determined whether any person involved in the procurement process irregularly manipulated the specifications to favour Intaka
6. Visited and/or requested additional documentation and information from hospitals where the water purification systems and Oxyntaka plants had been commissioned.
7. Interviewed third parties who objected to the tender process and obtain affidavits and supporting documents where necessary and applicable
8. Analysed and compared the Bid Specification document in respect of the Oxyntaka plants to the Agreement entered into between the Department and Intaka.
9. Calculated the difference in the price as envisaged and detailed in the Bid Specification document and Intaka's subsequent proposal, to their invoices submitted to the Department for payment and for which Intaka received payment.
10. Accompanied the SAPS investigating officer to Cape Town and reviewed the 156 lever arch files of documents seized from Intaka.
11. Reviewed the electronic data copied by the SAPS from computers seized from Intaka.
12. Examined bank accounts subpoenaed by the SAPS.
13. Assisted the SAPS investigating officer with interviewing any official or any



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person related to any official from the Department of Health, or any other third party that may have been involved in any irregular conduct or who received any irregular payments, including suppliers who submitted quotations and bids.

- 4.003. I am not required to and did not undertake an audit in terms of the International Standards on Auditing. The scope of my work was limited to a review of the documentary evidence made available to me and enquiries undertaken to address issues identified in the execution of the investigation undertaken. I have not verified the authenticity or validity of the records and documents provided to me, unless otherwise stated.
- 4.004 This report has been prepared solely for use in the criminal matter registered with SAPS by the Department, Pietermaritzburg Cas 626/01/2010. It may also with the prior written consent of the Director of Public Prosecutions be used in any civil or disciplinary proceedings that the Department may wish to initiate. It may not be suitable for any other purpose and it should not be used, reproduced or circulated for any other purpose without my prior written consent. It should be a condition of such consent, if given, that PricewaterhouseCoopers and myself accept no responsibility to that third party and that such third party will hold PricewaterhouseCoopers and myself harmless in respect of any consequences of such disclosure. Whether or not I have given consent, PricewaterhouseCoopers and myself will not accept liability or responsibility to any other party who may gain access to this report.
- 4.005 I have included information relevant to the investigation and related circumstances but cannot conclude on the completeness of such information as the possibility exists that not all-relevant information and documentation was made available to me. Any documentation or information brought to my attention subsequent to the date of this report, which will affect the findings detailed herein, will require my findings to be adjusted and qualified accordingly.
- 4.006 This report contains hearsay evidence based on interviews conducted with individuals. I deem the aforementioned evidence to be appropriate to sketch the full picture of the allegations raised.

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**5.000 Background**

- 5.001 The Department received a complaint from the Public Service Commission (PSC) Call Centre regarding allegations of tender and procurement irregularities for which undue payments are allegedly made and other financial irregularities by Mr ASS Buthelezi, Chief Financial Officer (the CFO/ Buthelezi) of the Department. The Department requested PricewaterhouseCoopers (PwC) to conduct a forensic investigation into all such allegations of tender and procurement irregularities, any allegations of undue payment and other related financial irregularities which may have been allegedly committed by the CFO for the period of his employment at the Department.
- 5.002 During the course of this investigation we received information and it was alleged that Intaka Investments (Pty) Ltd (Intaka) had received an order for the supply of water purification systems to the Department and that a corrupt payment was made to an official. We investigated this matter relying solely on the documentation in possession of the Department and interviews and information obtained from officials of the Department. At this stage we were informed that Intaka was the subject of a criminal investigation and when we attempted to interview an employee of Intaka we were advised by their Legal Advisor that we were required to address all correspondence through him. Hence, we did not have access to Intaka's records or their employees who may have been involved in the provision of the water purification systems (plants). We were subsequently informed that the SAPS had conducted a search of Intaka's premises and had seized documentation. We initially did not have access to these records.
- 5.003 Following the said investigation we issued our report dated 30 November 2009, that included the investigation and findings at that date in respect of the supply of water purification systems to the Department by Intaka.
- 5.004 We were thereafter on 9 February 2010 mandated to extend our forensic investigation into the awarding of a contract for Oxyntaka self-generating oxygen plants to Intaka and to assist the SAPS with the review of the documents and

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computers seized from Intaka.

**6.000 Issues addressed in my investigation**

6.001 This report focuses on the order awarded to Intaka for 2 x water purification plants by the KZN Department of Health at Rietvlei and Appelsbosch Hospitals. The tender awarded to Intaka for the supply of Oxyntaka plants for 52 hospitals within the Province will be covered in a separate report.

6.002 The report further summarises the Procurement Procedures followed during the awarding of the order in question, where these have been contravened and where collusion has been taken place between Departmental Officials, suppliers and other third parties.

**C. BASIS OF INVESTIGATION**

**7.000 Execution of fieldwork and gathering of information**

7.001 Members of my staff have assisted me in the execution of fieldwork and gathering of information necessary to compile this report, however, where an opinion is expressed in this report it is my own opinion.

**8.000 Sources documents**

8.001 The information dealt with in this report was obtained from the sources listed below:

- i) Supporting tender and procurement documentation handed to us by the Department.
- ii) Kreditinform Enquiries.
- iii) BAS reports.
- iv) Persal reports.
- v) Department of Health, Interim Supply Chain Management Delegations, February 2006.

*Handwritten signature*

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- vi) KwaZulu- Natal Provincial Treasury Practice Notes.
- vii) Interviews conducted with Management and staff at the Department.
- viii) Information received from third parties.
- ix) Interviews conducted with third parties.
- x) Documents seized by the SAPS from Intaka.
- xi) Bank records subpoenaed by the SAPS.

**D. DETAILED PROCEDURES AND FINDINGS**

9.000 The detailed procedures and my key findings are addressed below for the purchase of two (2) x Water Purification Systems by the Department from Intaka.

**Procurement Policy and Procedures**

9.001 I deem it necessary to provide a brief description of the prescribed procurement and payment procedures within the Department before proceeding further.

**KwaZulu- Natal Provincial Treasury: Delegations Framework: Practice Note**  
**Number : SCM- 02 of 2006 dated 9 February 2006**

**A1**

9.002 I wish to briefly refer to this practice note and specifically the delegation policy and Urgent and Emergency Cases.

9.003 1. Delegation Policy:

*1.1. With due consideration of predetermined financial limits, the general standing powers are delegated in order to expedite the process to procure goods and services, the acquisition or disposal of movable and immovable property and granting of rights. These powers, as set out herein, are delegated to bid committees and departmental officials in accordance with Treasury Regulations 16A promulgated in terms of the Public Finance Management Act, 1999.*

*1.2. These powers are granted subject to the provisions of any other Act of*

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*Parliament, as amended from time to time. Armaments may therefore not be acquired in terms of these delegated powers.*

- 1.3. *Delegated powers contained herein must be applied strictly in accordance with the preference points system for a decision or finalisation.*
- 1.4. *Where any doubt exists with regard to the interpretation or application of any power or condition, the Accounting Officer must be approached through the normal service channels for a decision or finalisation.*
- 1.5. *The delegations set out below serve as a guideline to assist departments in compiling their own departmental delegations. In the interest of efficient and effective acquisitioning, departments are to formally issue their own set of delegations.*

9.004 *Bid Committee refers to provincial department's bid specification, bid evaluation and bid adjudication committees as defined further in the document.*

9.005 *Urgent and Emergency Cases are defined as:*

*"Cases are defined as urgent or emergency cases when the following criteria have been met:-*

- *The duration of invitation of bids would have a material impact on service delivery/ community/ public i.e. early delivery is of crucial importance;*
- *Resulted from natural disaster i.e. beyond human control; and*
- *Immediate action is required to avoid a dangerous or life threatening situation, misery or want.*

*Poor planning is not a justifiable cause of an emergency or urgent situation. Written motivation must be provided, detailing the reason/s as to why procurement must be done under circumstances of urgency or emergency".*

9.006 *Abbreviations:*

**BSC: Bid Specification Committee.**

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BEC: Bid Evaluation Committee.

BAC: Bid Adjudication Committee.

HOD: Head of Department.

**Treasury Regulation 16A Supply Chain Management**

- 9.007 I wish to briefly refer to this document as it preceded the previous document A2  
 "KwaZulu- Natal Provincial Treasury: Delegations Framework: Practice Note Number: SCM- 02 of 2006 dated 9 February 2006" that was issued in consequence of Treasury Regulation 16A Supply Chain Management.
- 9.008 *"Institution" is defined as a department, constitutional institution or public entity listed in Schedule 3A and 3C of the Act.*
- 9.009 *This framework applies to all:*
- a) *Departments;*
  - b) *Constitutional institutions; and*
  - c) *Public entities listed in Schedules 3A and 3C of the Act*
- 9.010 *The accounting officer or accounting authority of an institution to which these regulations apply must develop and implement an effective and efficient supply chain management system in his or her institution for:*
- a) *The acquisition of goods and services; and*
  - b) *The disposal and letting of state assets, including the disposal of goods no longer required.*
- 9.011 *The accounting officer or accounting authority must establish a separate supply chain management unit within the office of that institution's chief financial officer, to implement the institution's supply chain management system.*



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**Department of Health, Province of KwaZulu- Natal, Interim Supply Chain  
Management Delegations, dated February 2006** **A3**

- 9.012 Detailed below is a summary of applicable and relevant sections of the Department of Health, Province of KwaZulu- Natal, Interim Supply Chain Management Delegations (SCM Delegations), dated February 2006, as it relates to this investigation.
- 9.013 *The Public Finance Management Act, 1999 (PFMA), Act 1 of 1999 as amended by Act 29 of 1999, was approved by National Parliament, "to regulate financial management in the National Government and Provincial Governments, to ensure all revenue, expenditure, assets and liabilities of those Governments are managed efficiently and effectively and to provide for the responsibilities of persons entrusted with financial management in those Governments".* **A3/4**
- 9.014 *In terms of Section 76(4)(c) of the Act "the National Treasury may make regulations or issue instructions applicable to all institutions to which this Act applies, concerning the determining of a framework for an appropriate supply chain management system which is fair, equitable, transparent, competitive and cost- effective". However, according to section 38(1)(a)(iii) of the Act it is the responsibility of the "accounting officer/ authority of a department, trading entity or constitutional institution to have and maintain an appropriate procurement and supply system which is fair, equitable, transparent, competitive and cost effective".* **A3/4**
- 9.015 *Where applicable, Provincial Treasury must set complementary standards within the parameters as set by National Government. These standards may not jeopardise national objectives. A provincial treasury must also submit to the National Treasury such SCM information as National Treasury may require.* **A3/4**
- 9.016 *Within this context, Provincial Treasury issued this practice note to provide guidance and support to Provincial departments in the implementation of supply chain management* **A3/4**
- 9.017 *The implementation of Supply Chain Management from 1 February 2006 brings* **A3/4**
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*about fundamental changes in the procurement process in government. The objective of this is to create a more efficient and effective system of procurement, and to vest full procurement authority and accountability in the Accounting Officer of the Department. To this end, various levels of authority have been clearly distinguished in this document to ensure a clear understanding and to facilitate decision making by the Accounting Officer.*

- 9.018 *With due consideration of predetermined financial limits, the general standing powers are delegated in order to expedite the process to procure goods and services, the acquisition or disposal of moveable and immovable property and the granting of rights. These powers, as set out herein, are delegated to bid committees and departmental officials in accordance with the Regulations in terms of the Public Finance Management Act, 1999: Framework for Supply Chain Management (SCM).* **A3/4**
- 9.019 *A Bid is defined as: "a written or verbal offer which may be in a prescribed or stipulated form, in response to an invitation by a department or Parliament for the provision of goods or services, based on the delegated limits for bids".* **A3/5**
- 9.020 *A Quotation is defined as: "a written offer, by a supplier which is not necessarily subject to the general conditions and procedures contained in the KZN SCM Standard Bid Document and which is invited and dealt with in a manner appropriate to the particular circumstances, but in adherence to the primary objectives contemplated in the SCM Policy Framework".* **A3/5**
- 9.021 *For purposes of this report I wish to refer to level 1, level 2 and level 3 delegations, Urgent and Emergency Cases and Exemptions only of the SCM Delegations for the Department.*
- Level One R0.01 to R1,500.00 inclusive of VAT. All responsibilities within Department of Health involved in the Procurement of Goods and Services conditions/ control measures applicable to level one contracts **A3/8**
- 9.022 *For this level it is not mandatory for Responsibilities to invite bids by utilizing the*

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prescribed bid form. However, it is the responsibility of the Systems Manager to prove that the procurement was carried out in the most cost effective manner. The practice of a minimum of three bids must be encouraged. A report of all purchases must be submitted to the Responsible Financial Officer who must monitor the procurement inter alia ensure that orders are not split to keep within the levels of delegation and to ensure that the purchases are made in a fair and equitable manner.

1. Up to an estimated value of R1,500 inclusive of VAT, per consolidated requirement, bids are invited for the procurement of supplies or services, the hiring or letting of anything.
2. Telephonic bids may be obtained and the successful bidder must be confirmed by fax and/ or in writing.  
 The Control Register (catalogue number 23 18701) must be completed.  
 Award the prices in the best interest of the Department.
3. The levels of authority referred to in the table contained on page 7 of the Interim SCM Delegations apply to the occupational class SCM Practitioners or equivalent posts.

Level Two R1,500.01 to R200,000 including VAT, All responsibilities within Department of Health involved in the Procurement of Goods and Services conditions/ control measures applicable to level two contracts

A3/9

9.023 A report of all purchases must be submitted to the Responsible Financial Officer who must monitor the procurement inter alia ensure that orders are not split to keep within the levels of delegation and to ensure that the purchases are made in a fair and equitable manner.

1. Up to an estimated value of R200,000 including VAT, per consolidated requirement, written bids are invited for the procurement of supplies or services, the hiring or letting of anything. If the estimated value (VAT included) exceeds the delegated limits, the SCM Unit must be approached with a request to invite bids. It may happen that all the bids received exceed the delegated limit. In such cases motivation and the recommendations of the Bid Evaluation Committee must be forwarded to the Department of Health Bid Adjudication Committee regarding the

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adjudication.

2. Written bids must be invited based on a requisition approved within the applicable financial delegations.
3. The prescribed price bid form must be used when inviting price bids.
4. Invitations to bid must be advertised for a minimum period of 5 working days.
5. The Control Register (catalogue number 23 18701) must be completed.
6. Manner in which price bids must be received and dealt with:

9.024

6.1 R1,500.00 to R30,000.00

- i) Invitations must be advertised on a notice board designated for bids at a security point that is not close to the Supply Chain Management Office and/or strategic areas that are accessible to the targeted group. In addition to the adverts on the notice board companies who have expressed an interest in quoting (mailing list retained by Acquisition Section) for certain items, must be invited to bid.
- ii) Bids must be in writing. Faxes will be accepted.
- iii) The given closing time and date must be strictly observed.
- iv) All price bids (from fax machine and bid box) must be assembled and sorted at the appointed time on the appointed day by a responsible official, specially detailed in the presence of at least one other official similarly detailed.
- v) A locked box marked "Bids" or "Quotations" must be provided in which price bids may be deposited by the bidder. In order to facilitate the lodging of price bids, all such boxes must be sited in an area easily accessible to all interested parties e.g. the reception area of an institution/ district office/ clinic/ office. The bid box must be fitted with two locks, with each lock having a key of a different pattern. One key is to be held by the Responsible Financial Officer or his/ her nominee and the other by the Systems Manager. Both officials must be present whenever the box is opened. Any duplicate keys supplied with the locks must be placed in sealed envelopes and held in safe custody by an officer specially nominated for the purpose. Such officer must be someone other than those who are in possession of the original keys.
- vi) Each price bid and annexure thereto must be numbered in sequence from the first to the last. The price page(s) must be dated and initiated by at least two

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officials in charge of the bid opening.

- vii) Procurement of goods and services must be in line with the Procurement Plan of the Institution/ Program.
- viii) A supply/ service may not be sub- divided in order to bring estimated value within the delegated limit.

**9.025     6.2 R30,000.01 to R200,000**

- i) Bids must be advertised/ published in the Provincial Gazette and/or local newspapers.
- ii) Each price bid must be submitted by bidders in a sealed envelope that reflects the bidder's name, address, the bid number and the closing time and date of the bid.
- iii) The given closing time and date must be strictly observed.
- iv) A locked box marked "Bids" or "Quotations" must be provided in which price bids may be deposited by the bidder. In order to facilitate the lodging of price bids, all such boxes must be sited in an area easily accessible to all interested parties e.g. the reception area of an institution/ district office/ clinic/ office. The bid box must be fitted with two locks, with each lock having a key of a different pattern. One key is to be held by the Responsible Financial Officer or his/ her nominee and the other by the Systems Manager. Both officials must be present whenever the box is opened. Any duplicate keys supplied with the locks must be placed in sealed envelopes and held in safe custody by an officer specially nominated for the purpose. Such officer must be someone other than those who are in possession of the original keys.
- v) Price bids must be opened by a responsible official, especially detailed in the presence of at least one other official similarly detailed. The price page must be initiated and stamped by at least two officials in charge of opening tenders.
- vi) Price bids must be opened and sorted at the appointed time on the appointed day. Each price bid and annexure thereto must be numbered in sequence from the first to the last. The price page(s) must be dated and initialled by at least two officials in charge of the bid opening.

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7. No negotiation of prices.
8. No telephonic price bids. All price bids invited and received must be in writing.  
 Bidders may fax their price bids.
9. Queries to the bidder must be in writing and the bidder must reply in writing.
10. If one bid is received the price must be certified to be fair and reasonable and held on file for audit purposes.
11. If the commodity is such that only one supplier is available in the market (sole supplier), for example patented product, written motivation must be placed on file for audit purposes for the following:
  - a) Why less than three bids were invited/ why the invitation of bids should be dispensed with;
  - b) What the implications would be should the invitation of bids be insisted upon;
  - c) Who the previous supplier was, when the transaction took place and what price;
  - d) Description, value and age of the compliance and/or remaining equipment.
12. Reasons for cancelling a bid must be tabled before the institution/ district
13. Cancellations may occur where:
  - No offer is received.
  - The items are no longer required.
  - There are errors in the price bid invitation documents.
  - The price bid is certified as being exorbitant.
14. Reasons for the extension of the validity period why it was necessary to extend the bidding period must be furnished to the Responsible Financial Officer and in his/her absence, the Systems Manager.
15. Contracts shall only be awarded to suppliers registered on the Provincial Suppliers Database.
16. The responsible Financial Manager and in his/ her absence the Systems Manager must report to the Head Office SCM Directorate Unit in terms of the reporting requirements.
17. Price Bids must be accepted before the expiry of the validity period by means of an order written out to the successful bidder. Faxed orders to the successful business are permissible. The original can be hand delivered/ collected or posted.
18. The award must be advertised in the same media used for the invitation.

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19. A supply may not be purposely sub-divided in order to bring estimated value within the delegated limit.
20. Procurement of goods and services must be in line with the strategic plan of the Institution/ Program.
21. Information on the award bids/ quotations in a prescribed format must be forwarded to the Supply Chain Management Unit (Head Office) within 10 days of the end of the month.
22. Where only one offer is received it may accepted, provided it complies with the specification and that the prices are proved to be and are certified as fair and reasonable. Proof of reasonableness must be determined in the following sequence:
  - 22.1 Industry must be reviewed and only market related prices must be used as a benchmark.
  - 22.2 Comparison with prices, after discounts, to his other normal clients and the relative discount that the Province enjoys.
  - 22.3 Where this is not possible, profit before tax, based on a full statement of relevant costs; and
  - 22.4 In all cases, comparison with previous bid prices where these are available.
23. The levels of authority referred to in the table contained on page 10 of the Interim SCM Delegations apply to the occupational class SCM Practitioners or equivalent posts.

9.026 Level Three exceeding R200,000.01 Head Office: Directorate SCM Unit. A3/13  
Procurement of Goods and Services, Conditions/Control Measures applicable to level three contracts

1. For values exceeding R200,000.01 per case, bids are invited for the procurement of supplies or services, the hiring or letting of property, the acquisition or granting of any right by the Head-Office Supply Chain Management Unit.
2. Particulars of the requirement must be advertised in the Provincial Gazette and/or local newspapers. Bids close at the address indicated in the document.
3. Consideration and acceptance of bids will at all times be in accordance with the

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- policy and directives of the SCM Unit and must be strictly adhered to.
4. Bids submitted after the relevant closing date and time in respect of bid invitations will not be accepted.
  5. Bids will only be called for, based on a requisition approved within the applicable financial delegation and in line with the strategic plan.
  6. The stipulated monetary limit per consolidated requirement must be taken into account before bids are invited.
  7. When it is not feasible to follow the standard procurement procedure for every individual requirement, contracts may be arranged for the supply over a period that may not exceed three years (to promote competition), provided that it is proven to be cost-effective, competitive and fair to arrange a period contract.
  8. The period must however not be shortened in order to bring the requirement within the delegated financial limit. A requirement that exists for different branches of the Department must be combined as a case.
  9. Bid conditions not previously used must also be submitted to the Department's Legal Services and Department of Health Bid Award Committee beforehand, for consideration and recommendation.
  10. Bids must be invited in writing. Space must be provided for the insertion, where applicable, of the price, delivery basis, delivery period and percentage bid price preference for local content.
  11. The closing time and date, the validity period and the address to which the bids must be sent, must be clearly indicated in the invitation.
  12. Notices of bid invitations must be forwarded to the relevant local Contractors Organisations when building and related bids are invited.
  13. The given closing date and time must be strictly observed. Where extension of the closing date is requested and considered appropriate, there must be sufficient time to give written notice to all prospective bidders.
  14. In the case of an advertised bid invitation, the bid closing date may be postponed only if the postponed date can be advertised in the Provincial Government Gazette and relevant local newspapers.
  15. Bids must be opened in public as soon as possible after the closing time, but not later than the close of business on the closing date, and the names of the bidders must be read out, including the bid process, except where the number of items or

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the complexity of the bid make it impractical.

16. Where only one offer is received, it may be accepted; provided it complies with the specification and that the prices are proved to be and are certified as fair and reasonable. Proof of reasonableness must be determined in the following sequence:
  - 16.1 Industry must be reviewed and only market related prices must be used as a benchmark;
  - 16.2 Comparison with prices, after discounts, to his other normal clients and the relative discount that the Province enjoys;
  - 16.3 In all cases, comparison with previous bid prices where these are available.
17. Proof of reasonableness of prices where only one bid is received, must be available for audit purposes.
18. Bids must be duly scheduled and brought to a comparative basis and submitted (by the Bid Evaluation Committee) together with a motivated recommendation to the Bid Award Committee for consideration.
19. The Act makes specific provision for written reasons to be supplied to bidders, by the Department of Health Bid Adjudication Committee, or delegates, for non-acceptance of their offers. It is thus essential that decisions are taken and recorded in such a way that this requirement is complied with.
20. Bids must be accepted, before expiry of validity, by means of a letter of acceptance. If this is not possible, extension of validity must be requested timeously from the relevant bidders. If a bid cannot be finalised within the validity period, the letter of acceptance or order must be held in abeyance until such time as the extension is confirmed in writing.
21. Internal Bid Committees, in all their proceedings, must comply with the directives and procedures issued by the Directorate SCM Unit. Minutes must be taken of all the decisions of the Bid Adjudication Committees and the signature of the Chairperson of the Committee must confirm these minutes. The resolutions of the Bid Adjudication Committee with regard to bids with a value greater than R500,000 per case will only be valid if validated by the Head of Department
22. Where further documentation is signed by all parties concerned as an agreement in addition to the letter of acceptance, it is defined as a formal contract. Formal contracts are concluded only where this is stated as a requirement in the bid

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document.

23. The written acceptance of an offer constitutes a legal and binding contract if no appeals are lodged. This may be by letter or the placing of an order.
24. The Department's Chief Directorate Legal Services approval of the draft formal contract is required prior to the signing thereof.
25. Contracts must be awarded to suppliers registered on the Provincial Suppliers Database and with SARS valid original tax Clearance Certificate.
26. All reporting requirements must be complied with.
27. The award of the contract must be advertised in the Provincial Gazette and/or local newspapers.
28. The levels referred to hereunder apply to the occupational class Supply Chain Management or equivalent posts.

**9.027 Urgent and Emergency Cases**

**A3/23**

**1. Urgent and Emergency Cases**

Cases are defined as urgent or emergency cases when the following criteria have been met:

- i) Resulted from natural disaster i.e. beyond human control; and
- ii) Immediate action is required to avoid a dangerous or life threatening situation, misery or want.
2. Bids may only be called for, based on a requisition approved within the applicable financial delegations.
3. Where practical, at least three quotations must be invited. The relevant parties must confirm their offers in writing as a soon as possible.
4. The reasons for the urgency or emergency and the losses or consequences that will follow if the action was not taken, must be certified at least at Manager Level and placed on record for audit purposes.
5. Where only one bid is received and accepted, and taking the circumstances into account, all reasonable steps must be taken to ensure that a fair (market related) price is obtained.
6. In these instances service/ supply need not be advertised in the Provincial

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References in the margin refer to  
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Gazette.

7. Companies must be registered on the Provincial Suppliers Database.
8. Contracts for offers from the threshold of R200,000.00 will only be awarded to bids/ quotations that are accompanied by a valid tax clearance certificate.

**9.028 Exemptions**

**A3/28**

Exemptions delegations are dealt with in the table contained on page 27 of the Interim SCM Delegations.

1. Where a bid is invited from a sole agent or supplier, provision must be made in the bid documents for the inclusion of particulars in order to determine the reasonableness of the price(s). Sole supplier bids may be accepted; provided it complies with the specification and that the prices are proved to be and are certified as fair and reasonable. Proof of reasonableness must be determined in the following sequences:
  - 1.1. Comparison with prices, after discounts, to other clients and the relative discount that the Province enjoys;
  - 1.2. Where this is not possible, profit before tax, based on a full statement of relevant costs; and
  - 1.3. In all cases, comparison with previous bid prices where these are available.
2. Proof of reasonableness of prices where only one bid is received, must be available for audit purposes.
3. SCM allows for negotiation with preferred bidders.

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**THE PURCHASE OF WATER PURIFICATION SYSTEMS FROM INTAKA  
 INVESTMENTS (PTY) LTD**

9.029 It was alleged that Intaka Investments (Pty) Ltd (Intaka) had received an order for the supply of water purification systems to the Department and that a corrupt payment was made to an official.

9.030 I determined that Intaka received an order in the amount of R9,960,000 on 30 November 2006 via order number N0734192, for the supply of two (2) x Water Purification Systems from the Department, for Rietvlei and Appelsbosch Hospitals at R4,980,000 per system. In terms of the official order Intaka's address is recorded as PO Box 30080, Tokai, Cape Town. The official who compiled the order and whose name is also recorded under the "enquiries to" column is Miss Lindie Xulu. B1/1

9.031 I further determined the following payments were made to Intaka against the said order number N0734192:

	Invoice #	Invoice date	Invoice amount ( R )	Payment date	Payment amount ( R )
1	254	18/12/2006	4,780,000	12/01/2007	4,780,000
2	311	18/02/2007	4,780,000	26/02/2007	4,780,000
3	347	22/03/2007	200,000	29/05/2007	200,000
4	348	22/03/2007	200,000	21/06/2007	200,000
			9,960,000		9,960,000

B1/2-3

B1/4-5

B1/6-7

B1/8-9

9.032 I determined the following upon examination of the Intaka paid invoices:

- 1) All four invoices are addressed to the KwaZulu- Natal Department of Health, Private Box/ Bag X9051, Pietermaritzburg, 3200, Mr Harry van der Merwe. B1/2,4,6,8
- 2) The 1<sup>st</sup> payment is for 1 x Wataka Unit Model 025, less transport, installation and commissioning. B1/2
- 3) The 2<sup>nd</sup> is for 1 x Wataka HWT 025, (no mention of the transport, installation and commissioning cost). B1/4
- 4) The 3<sup>rd</sup> payment is for transport, installation and commissioning of Wataka at Appelsbosch. B1/6



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- 5) The 4<sup>th</sup> payment is for transport, installation and commissioning of Wataka at Rietvlei.

**B1/8**

**Background into obtaining all relevant documentation from the Department and from the SAPS**

- 9.033 The aforementioned documents were provided to PwC through the Departments Internal Audit and Risk Management Component. We then requested all procurement documentation that preceded the awarding of the order to Intaka e.g. the specifications; tender document; tender award; and Service Level Agreement. I assumed at this stage that the order awarded to Intaka was done in terms of SCM Delegations: Level 3, Procurement of Goods and Services exceeding R200,000.01.

**A3/13-14**

- 9.034 We initially interviewed the CFO on 8 July 2009, where our mandate was explained to him and we requested all relevant documentation from him, including the documents for the Intaka order under investigation. We did not receive any documents relevant to Intaka from him. On 1 August 2009 he was seconded/ transferred to Provincial Treasury (until end March 2010 in terms of his explanation to us). The new CFO Mr N Biyela then advised us that we must go directly to the Departments/ Officials within the Department in order to obtain whatever information and documentation we required. We had determined that the order in question was compiled by Miss Lindie Xulu and hence this was our first "port of call". We further ascertained that she was employed within the Department's Infrastructure Development Component.

- 9.035 We then proceeded to obtain various documentation from the following sources, conducted interviews with officials and obtained affidavits where necessary; that will be referred to later in this report:

- 1) Development Infrastructure Component;
- 2) Legal Services;
- 3) Central Supply Chain Management;
- 4) The Office of the HOD Dr BM Nyembezi at the time (2006/2007);

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- 5) Environmental Health.
- 6) SAPS seized from Intaka in Cape Town;
- 7) Documents subpoenaed by the SAPS.
- 8) Documents requested from various hospitals that had received water purification and/or Oxyntaka plants.

9.036 We received a number of documents from the said sources and compiled a comprehensive list. In order to obtain a clear understanding of the sequence of events in terms of the documents, I deem it necessary to briefly refer to each document and the relevant content of each. All documents discussed hereunder were obtained from the Department's records unless otherwise stated:

**1) Rietvlei Hospital Infection Control Committee: Report on Contaminated Water (17/05/2006)**

**B2**

9.037 The opening paragraph of this report contains the following: *"The quality of drinking water at Rietvlei Hospital has been a source of great concern to this committee for quite some time. This report will outline events regarding the water supply from November 2005 until May 2006"*. The remainder of the report details the said events.

9.038 *"On 11/05/2006 a sample of tap water was taken from the main hospital kitchen. The results arrived on 16/05/2006 and showed that the total coliform count was 2419 per 100 ml (maximum allowed: 5 cfu/100 ml). The E-Coli type 1 count was 13 cfu/100 ml (maximum allowed: 0cfu/ 100 ml). The remarks on this report are as follows: This water is faecal contaminated and therefore not potable"*.

**B2/4**

9.039 The report is concluded as follows: *"The situation at Rietvlei Hospital is dire. The quality of water is extremely distressing, but despite repeated letters and reports to hospital management the ICC has seen no improvement in the water quality since November 2005. In fact, the quality of water supply seems to have worsened. This situation places patients, visitors and staff at risk and can not be allowed to continue"* It is signed and dated 18/05/2006.

**B2/5**

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- 9.040 Hence, based on the above report the quality of water at Rietvlei appeared to have been a problem for 7 months from November 2005 to May 2006, and there was a potential risk to all users.

**2) KZN Health Memorandum dated 14 August 2006**

B3

- 9.041 The said Memorandum from Dr SSS Buthelezi, General Manager, Western Area Operations to Mr DN Nkosi, Chief Operating Officer is titled: "*Contaminated Water at Rietvlei Hospital*", and an index number is recorded as "1524/06". It reads as follows: "*The Chief Operating Officer is requested to forward the attached report to the MEC as requested telephonically by the MEC*". We were not provided with the attached report, and it is unclear whether the writer is referring to the previous report discussed above and dated 17/05/2006, or another report

B2

**3) A report from the Sowetan dated Friday 22 September 2006**

B4

- 9.042 A copy of a report "*Muddy Water Not On*" from the Sowetan dated Friday 22 September 2006, that refers to dirty drinking water at Appelsbosch Hospital. The article is concluded as follows: "*Leon Mbangwa, spokesman for the KwaZulu- Natal health department, said the department had not heard about the hospital's plight. 'As the department of health, it is not our mandate to deliver water services. But we will contact the appropriate stakeholder. We do not want to see the patients drinking dirty water'*".

**4) KZN Health Memorandum dated 29 September 2006**

B5

- 9.043 The said Memorandum from Mr WD Khanyile (WD Khanyile), Manager, Environmental Health to Dr Nyembezi is titled: "*Situation of Water Supply at Appelsbosch and other rural hospitals*". It commences as follows: "*the on-site inspections of water supplies at the hospitals of the Provincial Department of Health have been carried out to identify actual and potential sources of contamination*". "*Periodic surveys of water supply to the hospitals of the Provincial Department of Health are conducted to monitor and assess the microbiological safety status of the*

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*water supplies".*

- 9.044 The writer then discusses microbiologically polluted water and faecal coliforms. He also states that the overall concept adopted for microbiological quality is that no water intended for human consumption shall contain faecal coliform (Escherichia Coli or E. Coli) in any 100 ml sample. He then lists the results of the survey per hospital. Of significance is that the results reflect Appelsbosch contained no Coliform Organisms or Faecal E Coliforms. This report is dated one week after the Sowetan Article of 22 September 2006.

**B5/2**

**5) KZN Health Memorandum dated 6 October 2006**

**B6**

- 9.045 The said Memorandum from Mr VRM Ntshangase (Ntshangase), General Manager: Budget and Supply Chain Management to Dr BM Nyembezi, Head of Department is titled: *"Contaminated Water at Rietvlei & Appelsbosch Hospitals: Request for Exemption from SCM Procedures and Process: SCM Delegation 701"* and an index number is recorded as *"Memo 313"*.

- 9.046 The entire body of the Memorandum is relevant:

*"A report received from Integrated Health Services Cluster and an article from the Sowetan dated 22<sup>nd</sup> September 2006 attached hereto has reference.*

*The contaminated water at the abovementioned institutions imposes a health risk hazard to the Hospital employees, patients and visitors at the hospitals. The quality of drinking water at the hospitals has been a source of great concern.*

*Three quotations were invited by the Supply Chain Management Unit with the intention to deal with this matter urgently as this is a health threatening situation.*

*Approval to nominate the lowest bidder, namely Messrs Intaka Investments at a total cost of R9,960,000 including VAT and no hidden costs, is kindly sought in terms of Supply Chain Management Interim Delegation 701. All the copies of the stakeholders are attached for your attention".*

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9.047 The Memorandum is signed by Ntshangase; recommended by Buthelezi and approved by Dr Nyembezi. The date/s of recommendation and approval has not been recorded, and thus assumed to be 6 October 2006, being the date of the Memorandum.

9.048 The Memorandum makes no reference to the memorandum of Mr WD Khanyile dated 29 September 2006 where Appelsbosch was cleared of contaminated water. It is unclear from the above how Ntshangase became involved in the issue of alleged contaminated water at the hospitals in question, as no previous correspondence or reports were addressed to him and there is no instruction on files provided to us for him to invite quotations. Further, the Appelsbosch water matter was now a Department of Health issue, contrary to the statement alleged to be made by Leon Mbangwa as reported in the Sowetan newspaper article. More significantly, it is unclear what the specifications were for the water purification system (not specifically referred to in the memorandum) that was quoted on and where the budget for the purchase would come from.

B5

**6) Three (3) x quotations referred to in the Memorandum dated 6 October 2006**

9.049 Attached to the previous memorandum discussed and dated 6 October 2006 are three quotations as detailed below:

**1. Intaka Investments (Pty) Ltd**

9.050 A hard copy of an e-mail addressed to Samantha Foulkes from Alicia Marcos ([amarcos@skyros.co.za](mailto:amarcos@skyros.co.za)) dated 2 October 2006, subject: "Water Purification System", states: "please see enclosure". The writer recorded her details and that she was "PA to Dr Savoi". Attached to the e-mail is a hard copy of a letter on an Intaka letterhead that I have interpreted to be the "enclosure" referred to in the e-mail. The letter is dated 2<sup>nd</sup> October 2006 and is addressed to the Head of Department, Department of Health, KwaZulu- Natal, attention Ms Samantha Cheatle (also known as Samantha Foulkes), PA to Dr BM Nyembezi, Head of Department. It also contains the e-mail

B7/1

B7/2-3



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address of Samantha Foulkes. Intaka's address is recorded as PO Box 30080, Tokweni, 7966 which is in Cape Town.

- 9.051 The letter is titled: "*Re: Water Purification System*". It commences "attending to your kind request of 26<sup>th</sup> September and after the visit of our Director of the Technical and Industrial area to the sites and evaluating the needs, hereby we submit our proposal as follows". I will not comment on the entire letter/ quotation at this point as this will be referred to after referring to each of the 3 quotations, other than the price being R4,980,000 per unit and additional costs for "*ingredients per one year of supply through our BEE partner in KZN at R39,900 p/month, including VAT*".
- 9.052 The letter is signed off by Alicia Marcos that is a further indication that the letter was attached to the e-mail of the same date (2 October 2006). The writer refers to a request from the HOD dated 26 September (2006), however we have not been provided with such a request. This also contradicts Ntshangase's Memorandum of 6 October 2006, where he stated that "*Three quotations were invited by the Supply Chain Management Unit*". Hence, it was unclear who requested the quotation from Intaka and significantly what the specifications were for the water purification system.

**2. Invusa Stainless**

- 9.053 A letter on an Invusa Stainless (Invusa) letterhead dated 2<sup>nd</sup> October 2006 is addressed to Dr BM Nyembezi, Head of Department, Department of Health, KZN. Invusa's address is recorded as PO Box 156, Blackheath, 7581, hence they are also in the Western Cape. B8/1-2
- 9.054 The letter is titled: "*Request for Quotation: Water Purification System for Appelsbosch and Rietvlei Hospitals*". It commences "*we thank you for your enquiry and following our site visit of the Hospitals in question we offer our water purification plant to provide 40m3 per hour of potable water supplied by nearby river and/or dam*". They have quoted a price of R5,802,000 per unit. The letter is signed by Don Miller.



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**3. Westpro Fluid Handling Systems (Pty) Ltd**

9.055 A letter on a Westpro Fluid Handling Systems (Pty) Ltd (Westpro) letterhead dated 29<sup>th</sup> September 2006 is addressed to Department of Health, KZN, att: Ms Samantha Cheatle. Westpro's address is recorded as PO Box 6484, Parow East, 7501, hence they are also in the Western Cape. B9/1-2

9.056 The letter is titled: *"Re: Water Purification Plant"*. It commences *"with reference to your valued enquiry we take pleasure to submitting our offer for the manufacture and deliver of water purification plants for the listed hospitals: 1. Appelsbosch Hospital, 2. Rietvlei Hospital"*. They have quoted a price of R6,210,000 per unit. The letter is signed by Ron Geddes.

**Summary of information provided in each of the quotations**

9.057 We prepared a spreadsheet listing the information provided in the three quotations in question. The spreadsheet consists of a number of columns and is self-explanatory; the following key findings were identified in terms thereof: B10

- 1) All 3 "suppliers" addressed their "quotation" to Dr Nyembezi and/or her PA.
- 2) All 3 "suppliers" referred to a request/ enquiry of Dr Nyembezi and/or her PA. This is contrary to Ntshangase's Memorandum dated 6 October 2006 wherein he stated Supply Chain Management invited the quotes.
- 3) There is no reference to any form of prescribed specifications and whether each of the 3 "suppliers" quoted on the same specifications and a similar end product.
- 4) Intaka's price included all relevant costs e.g. freight, connection, installation and commissioning, whilst Imvusa and Westpro's quotations excluded certain costs that were included by Intaka.
- 5) Intaka referred to additional costs for *"ingredients for the operation of the units will be quoted per 1 year supply through our BEE partner in KZN at R39,000 per month, including VAT"*. It cannot be determined whether this would be a condition of the agreement between Intaka and the Department, if their quotation for the supply of the water purification systems was successful. Further, the type of the

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ingredients required has not been disclosed and there is no indication why Invusa and Westpro did not refer to ingredients and the price thereof.

- 6) The fact that all 3 entities came from the Western Cape also appeared suspicious to me, since it was reasonable to expect that suppliers of water purification systems could also be found in KZN. This is particularly relevant when the approved submission (Memorandum dated 6 October 2006) refers to SCM Delegation 701, being Urgent and Emergency cases; that there is a vast distance to transport the systems to KZN; and the remote areas in KZN where these systems had to be supplied and commissioned.

**7) KZN Health letter dated 9 October 2006**

**B11**

- 9.058 A letter on a Department of Health letterhead dated 9 October 2006 was addressed to Intaka, for the attention of Dr Gaston Savoi (Savoi), from Central Supply Chain Management. The enquiries official is recorded as Mr VRM Ntshangase, whilst the letter is signed for Head of Department, KwaZulu- Natal Department of Health. The subject matter is: *"Water Purification System for Rietvlei and Appelsbosch Hospitals"*.

- 9.059 The writer has informed Savoi: *"I have pleasure in advising you that the Department has awarded the above- mentioned quotation to your organisation at a total cost of R9,960,000 including VAT"*. The letter is copied to the Auditor General and Mr N Nkosi, the COO advising him: *"you may proceed with placing the order"*.

**8) Letter of Intaka dated 10 October 2006 and fax cover dated 11 October 2006**

**B12**

- 9.060 A letter on an Intaka letterhead dated 10 October 2006 from Savoi to Dr Nyembezi acknowledging receipt of the letter of award dated 9 October 2006. He concludes that Intaka will be waiting for the official order from the COO to start pertinent procedures. The said letter was faxed to Ntshangase (033- 3943324) on 11 October 2006 by Intaka.

**B12/1**

**B12/2**

Handwritten marks: a large 'J' and a large 'M'.

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**9) KZN Health Memorandum dated 11 October 2006**

**B13**

9.061 The said Memorandum dated 11 October 2006 from Mrs PK Padayachee (Kantha Padayachee), Acting General Manager, Legal Services to Ntshangase is titled: *"Water Purification System for Rietvlei & Appelsbosch Hospitals"*.

9.062 The entire body of the Memorandum is relevant and I do not deem it necessary to repeat same, but to emphasise the following issues raised by the writer:

1. No instruction to Legal Services to draft a service level agreement.
2. Detailed information pertaining to the award is required.
3. A suggestion for the development of a project plan and a responsible person.
4. Uncertainty as to whether the system is going to be purchased or leased.
5. A total breakdown of the cost structure was required and clarity on the ingredients and BEE partner.
6. They required specifications relating to the quotation and any further information that may assist in drafting the agreement.

**10) KZN Health Memorandum dated 12 October 2006**

**B14**

9.063 The said Memorandum dated 12 October 2006 is a reply from Ntshangase to Kantha Padayachee and is titled: *"Service Level Agreement: Water Purification"*. The letter is signed for Mr VRM Ntshangase: General Manager: Budget and Supply Chain Management, whilst his e-mail address has also been provided on the document.

9.064 The reply is vague particularly in so far as: the specifications that were quoted on; detailed information in respect of the award; full details of the system to be supplied; and the ingredients and BEE partner. However, Ntshangase has repeated that *"quotations were requested by Demand Section and received on the 29 September 2006. Three quotations were received"*.

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**11) KZN Health Memorandum dated 13 October 2006**

**B15**

- 9.065 The said Memorandum dated 13 October 2006 from Kantha Padayachee to Ntshangase is titled: *"Water Purification System for Rietvlei & Appelsbosch Hospitals"*. She refers to his reply dated 12 October 2006 and once more has raised pertinent issues that were not addressed, and particularly in view of the fact that the Auditor General had been copied on the matter. I do not deem it necessary to repeat same as the entire content is relevant and self-explanatory. She has concluded: *"Kindly assist our offices urgently as we would need to give input to the Head of Department, who has requested that this matter be attended to urgently"*. Hence, it is apparent that the HOD wanted the matter to be attended to urgently. The memorandum was also copied to Mrs N Mthembu, Manager: Targeted Enterprises. At this stage I was uncertain what role this person played in the matter, and this will be dealt with later in this report.

**12) KZN Health Memorandum dated 17 October 2006**

**B16**

- 9.066 The said Memorandum dated 17 October 2006 from Kantha Padayachee to Ntshangase is titled: *"Water Purification System for Rietvlei & Appelsbosch Hospitals"*. She refers to their memorandum dated 13 October 2006 (it is apparent that Ntshangase did not reply to the said memorandum), and at the request of the Head of Department, she liaised telephonically with Savoi of Intaka. She has raised pertinent points once more and has requested Ntshangase's urgent input. She further refers to the fact that no document was supplied for Appelsbosch hospital other than the newspaper article, and that the submission to the HOD was for both Appelsbosch and Rietvlei hospitals. It is evident to me that Legal Services had problems with the entire process and the memorandum was a means of recording this. The memorandum was faxed to Dr Nyembezi by Ntshangase on 18 October 2006 (5 x page fax), together with a similar memorandum dated 16 October 2006 from Kantha Padayachee to Ntshangase which although titled: *"Water Purification System for Rietvlei & Appelsbosch Hospitals"*, this has been crossed out and the word "Oxygen" written (this appears to be for the purchase of Oxygen). It appeared to me that Kantha Padayachee again, based on the content of this memorandum, was

**B16/1-2**

**B16/3**

**B16/4-5**

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ensuring that it was clear that the responsibility for the process was initiated and driven by Ntshangase and Dr Nyembezi.

**13) Undated and unsigned draft Agreement between the Department and Intaka**

**B17**

9.067 We were provided with this document by Legal Services who compiled it during the period Legal Services were sending Ntshangase memorandums requesting information as detailed in the documents referred to in sub-paragraphs 9) to 12) above. It has not been signed or dated. For the record the agreement refers to the supply of two x Wataka HWT-1-25 transportable water purification units to Rietvlei and Appelsbosch hospitals in the amount of R4,980,000 per unit including vat. No reference is made to the Ingredients or the BEE partner. I understand that this draft agreement was never signed.

**14) KZN Health Memorandum dated 19 October 2006**

**B18**

9.068 The said Memorandum dated 19 October 2006 from WD Khanyile to Dr Nyembezi is titled: "*Microbiological quality of Water Supply at the Hospitals and Clinics in the Province*". The writer refers to his memorandum dated 29 September 2006 and a further progress report as detailed in the memorandum in question dated 19 October 2006.

**B5**

**B18**

9.069 WD Khanyile then reports on and lists the results of the microbiological quality of water supply for the health care facilities in the Province as confirmed by the laboratory analysis. Neither Rietvlei nor Appelsbosch were reported on in the said memorandum. I wish to point out that we received a copy of this report from both WD Khanyile's office and from the file retained by Dr Nyembezi's office. In the latter copy all cases where Organisms or Faecal E s were an issue have been highlighted; this will become significant when discussing the document at annexure B19 below. The conclusion of WD Khanyile makes no reference to Rietvlei or Appelsbosch Hospitals, water purification systems or Intaka. Appelsbosch had already been reported on in the earlier report dated 29 September 2006, as previously discussed in paragraph

**B5/2**



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6.047 and the water contained no Coliform Organisms or Faecal E Coliforms. I am unable to determine whether the Rietvlei water results had been tested but were outstanding at 19<sup>th</sup> October 2006, the date the 2<sup>nd</sup> report was issued.

**15) Undated and unsigned KZN Health report**

**B19**

9.070 Contained in the file retained by Dr Nyembezi's office are two copies of an undated and unsigned KZN Health report. There is no indication of the identity of the author. The one copy contains a cover titled "*Microbiological Quality of Water Supply at the Hospitals and Clinics in the Province of KwaZulu- Natal*" and a ten page report, whilst the other copy has no cover. The document commences: "*Purpose: the purpose of this document is to provide a Business Plan to the Department of Water Affairs and Forestry to elicit funding assistance to deal with the poor quality of the water in some of our health facilities*".

9.071 The report also contains an introduction and background, The report contains "*Motivation for the request of assistance with Water Purification*" section. I will refer to certain parts thereof only: "*In August/ September 2006 we were faced with water quality problems at both Appelsbosch and Rietvlei Hospitals which needed urgent action. Quotations were sought for the procurement of water purification plants. The Wataka purification plant was the preferred solution and procured for both hospitals. When we received the results of the surveys for all the health facilities in the province in September and October 2006 we approached the Provincial Department of Local Government and Traditional Affairs for assistance. We subsequently learnt that they had also procured Wataka water purification plants for some of the municipalities. The Head of Department of Local Government and Traditional Affairs has been very supportive in seeking assistance to alleviate the poor quality water problem and has approached the Department of Water Affairs and Forestry who we understand are in a position of providing some financial assistance. The current provincial status of the health facilities with poor water quality as per September/ October 2006 survey is reflected below. We have prioritised these into phases 1 and 2 according to the severity of the problem*".

**B19/3**

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- 9.072 The writer then lists the status in a table commencing at page 3 and ending at page 9. The content of the table consists of the information where an issue has been highlighted, relating to Organisms or Faecal E s, contained in the report of by WD Khanyile dated 19 October 2006 located in the file at Dr Nyembezi's office only. The said report of WD Khanyile was addressed to the Dr Nyembezi only. In addition the undated report under discussion was only located in the file located at Dr Nyembezi's office. This would indicate the author was within Dr Nyembezi's office. WD Khanyile informed us that it was the first time he had seen the undated report when we showed him it on 27 October 2009 and was not aware of the author. B19/4  
B18
- 9.073 The content of the "Recommendation" and "Cost Implication" on page 10 further indicates the document in question emanates from Dr Nyembezi's office: B19/11

Recommendation

*"Seeing that Local Government and Traditional Affairs already have an existing tender for the purchase of the purification plants, we would request them to procure these for us from funds from DWAF. We have engaged the supplier and agreed that we would focus mainly on clinics so we would cover a number of facilities with the funds available".*

Cost Implication

*"After negotiations with the supplier based on the social need of the exercise he has agreed to reduce the price from R1.95 million per Wataka inclusive of VAT and provide six (6) Watakas for clinics at a cost of R1.5 million each inclusive of VAT which will come to R9 million.*

*In addition for 1 million inclusive of VAT the supplier will for all six:*

- *Handle the freight from the Western Cape to the clinics;*
- *Provide a crane to transfer the equipment from the truck to the site;*
- *Prepare a concrete slab to place the equipment;*
- *Install and commission;*

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- *Provide chemicals for one month- the monthly cost of chemicals is R20,000 but we hope to negotiate a lower price going forward between R17,000 and R18,000.*

*The total cost of procuring and installing 6 water purifiers would therefore come to R10 million".*

- 9.074 A copy of the abovementioned proposal was attached to a letter from Nyembezi to the Department of Local Government and Traditional Affairs (refer para 9.099). Of concern however, is that the writer has not included the costs for Rietvlei and Appelsbosch Hospitals: R4,980,000 per unit and additional costs for ingredients R39,900 p/month, as opposed to R1,950,000 reduced to R1,500,000 per unit, and R20,000, reduced to between R17,000 and R18,000 per month for chemicals, nor explained why the prices for Rietvlei and Appelsbosch were more than double the "negotiated" price". The above cost implication reflects 6 Watakas can be purchased for R10,000,000; whilst the Department paid R9,960,000 for 2 Watakas. It is however recognised that these are HWT015's and the previous two purchased were HWT25's, but even so the price difference is excessive. B33/2

**16) KZN Department of Works letter dated 23 October 2006**

**B20**

- 9.075 The said letter dated 23 October 2006 from KZN Department of Works addressed to Dr Nyembezi is titled: "*Appelsbosch Hospital: Water Purification System*". The writer refers to "*Your query of today regarding the problems being experienced by the seemingly reluctance of our Departmental representatives assistance refers*". B20/1

- 9.076 The entire document is self explanatory, but repeated hereunder as it is relevant:

*"The Department of Works is responsible for the supply of potable water to various institutions within the Appelsbosch community of which the hospital is one. The Department of Works is at present in the process of handling the water and sewerage systems over to the local municipality. The Municipality has indicated the required changes that needed to be done to ensure that the potable water supplied to*

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*the various users is up to standards as laid down by the Department of Water Affairs. A consultant team was appointed by the Department of Works to carry out the necessary designs and implement the required changes.*

*This Department has engaged the services of a Contractor who will be on site on Thursday, 26<sup>th</sup> October 2006, to replace the reservoir which feeds the hospital complex. This will rectify the poor quality water supply.*

*With the appointment of the consultant/ contractor by the Department of Health, the Department of Works was not part of the initial brief and it has been ascertained that neither was the Department of Health's Facilities Management staff of this institution. It is now apparent the Central Procurement Stores component of the Department of Health has appointed the team of consultants from Cape Town to intervene in the water issue. After making telephonic queries with the firm it is apparent that they want to cut into the existing system and make changes to our system which can not be accepted as no input nor mandate has been obtained from this department.*

*This Department will however communicate with the Dept of Health's appointed consultant and arrange for a site meeting tomorrow, 24<sup>th</sup> October 2006, to thoroughly investigate this matter".*

- 077 I do not believe the above needs any further explanation, but to emphasise the lack of any form of input from the Department of Works responsible for water supply, and the unilateral decision to award an order in the amount of R9,960,000 prior to any meaningful planning or dialogue. Of significance and I have highlighted this above, is that the replacement of the Reservoir would rectify their poor quality water supply according to the Department of Works. The said letter followed a report dated 20 October 2006 sent by the CEO of Appelsbosch Hospital to the District Manager, B20/2 copied to Dr Nyembezi, who faxed it to KZN Works on 23 October 2003. The CEO reported on the problems experienced between the Department of Works and Intaka B20/3 that needs no further explanation. Following this there was further correspondence between the Department of Works and Intaka that was reported to Dr Nyembezi by B20/4-8 Intaka, and between Appelsbosch and Dr Nyembezi on 24 October 2006. I do not

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believe this requires any explanation.

- 9.078 Contained in the file at Dr Nyembezi's office is various correspondence between the parties now involved in the process during the period 26 October 2006 to 22 November 2006, attached for ease of reference. I wish to point out however that Ntshangase represented the Department at site meetings at Appelsbosch, where technical issues were being discussed. I question his knowledge of water purification systems, and his presence as a Department official instead of an expert from the Departments Infrastructure Development section for example. B21
- 17) KZN Department of Health Memorandum dated 22 November 2006 B22
- 9.079 The said Memorandum dated 22 November 2006 from Mrs A Zondo (Zondo), Central Supply Chain Management to Mr G van der Merwe (van der Merwe), Manager: Infrastructure Development is titled: "ZNB 5575/2006-H: Water Purification System for Rietvlei & Appelsbosch Hospitals: Issuing of order". The following is recorded in the Memorandum: "Your discussion on 22<sup>nd</sup> November 2006 with Mr ASS Buthelezi (Chief Financial Officer) on the offer mentioned contracts have reference. You are kindly requested to issue orders as these services are now urgently required; Attached hereto for your attention are the letters of acceptance issued to the successful bid. Your co-operation is highly appreciated". The 2<sup>nd</sup> letter was for the manufacture and supply of bulk medical oxygen and medical air for Rietvlei hospital (ZNB 5575/2006-H). B22/1
- B22/2
- B22/3
- 9.080 The Memorandum and attachments were received by Roger Burn (Burn) of Infrastructure Development on the same day. The following handwritten endorsement has been made thereon on 23 November 2006: "Gerrie (we would later determine this was made by Burns and addressed to van der Merwe) for your directive please. These projects are completely new to me and as such are not funded. It is unclear also as to whether the necessary financial approval was obtained. As the Prg 8 budget has been reduced significantly (without consultation), there are no funds to implement. Note also water (illegible) @ Appelsbosch". It is evident that Infrastructure Development only became involved in the process when the official order had to be B22/4

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issued to Intaka.

**18) KZN Health Memorandum dated 27 November 2006**

**B23**

- 9.081 The said Memorandum dated 27 November 2006 from Dr A Sewlal (Dr Sewlal), General Manager, Infrastructure Development to Buthelezi is titled: "Appelsbosch Hospital: Water Purification Plant, Rietvlei Hospital: Water Purification Plant & Bulk Oxygen/ Medical Air. The writer has raised a number of issues regarding the funding for the project and a request for an additional R9,960,000. He has also requested the relevant contract document, in order to ensure compliance with specification and adherence to Provincial norms and standards. Similar concerns were raised by Legal Services as previously discussed in October 2006, but were not addressed in terms of documentation provided to us. The writer appears to be Burn as his e-mail address is furnished in the enquiry section and the handwritten endorsement is similar to the handwriting appearing on annexure B22/4, and later confirmed by van der Merwe: "this letter was drafted in response to a meeting between myself (Burn), Dr Sewlal and Mr vd Merwe. Matter discussed again with Dr Sewlal 30/11/2006- I have advised that there are not funds for this project- He advised me to continue + he would sort it out. NB: Issue of upfront payment also discussed- advised to ignore".

**B23/1**

**19) KZN Health Memorandum dated 29 November 2006**

**B24**

- 9.082 The said Memorandum dated 27 November 2006 from Dr Nyembezi to Dr Sewlal is titled: "Water Purification system for Rietvlei and Appelsbosch Hospitals":

*"Dear Dr Sewlal as I am concerned about the quality of water at our Institutions in general and that of Rietvlei and Appelsbosch in specific, I have requested Supply Chain Management to call for a Tender for the installation of Water Purification Systems at both of the hospitals.*

*The attached Tender documentation in favour of Intaka Investments (Pty) Ltd refers.*

*Authority is hereby granted to incur expenditure in terms of Delegation 0201 to the*

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*value of R9,960,000 for the purchase of the Water Purification Systems for Rietvlei and Appelsbosch Hospitals.*

*Please issue the order for the service to be rendered".*

- 9.083 The above would indicate Dr Nyembezi replied to the Memorandum addressed to Buthelezi by Dr Sewlal on 27 November 2006, annexure B23 refers. Further, there is no evidence of a "call for a tender"- the fact is three vague quotations were received without any specifications being provided and received by Ntshangase (according to his own Memorandum), but received by Dr Nyembezi according to the quotations themselves, recommended by Buthelezi without confirming that the required budget was available and approved by Dr Nyembezi. This was done without any consultation with Infrastructure Development.

**20) KZN Health Memorandum dated 29 November 2006**

**B25**

- 9.084 The said Memorandum dated 29 November 2006 from Dr Nyembezi to van der Merwe is titled: "Appelsbosch and Rietvlei Hospitals":

**B25/1**

*"Dear Mr van der Merwe, reference is made to our telephonic discussions this morning, as well as the attached correspondence received from Intaka Investments.*

*Kindly attend to these matters urgently and submit a progress report to my office by Thursday, 30<sup>th</sup> November 2006.*

*Your urgent assistance in this matter would be appreciated".*

- 9.085 Attached is a fax cover and letter from Intaka dated 28<sup>th</sup> November 2006. The letter is addressed to Dr Nyembezi and details the progress at the 2 hospitals. Van der Merwe replied to Dr Nyembezi on the same day, whilst Dr Nyembezi also replied to Intaka. The continued involvement with a supplier by Dr Nyembezi is unusual and why she did not simply delegate responsibility to van der Merwe or some other appropriate person.

**B25/2-3**

**B25/4**

**B25/5**



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**21) KZN Health letter dated 30 November 2006**

**B26**

- 9.086 The said letter dated 30 November 2006 from Burn, KZN Department of Health addressed to Intaka is titled: "*Department of health: ZNB 7670/2006- H (Project No. - A0761) Rietvlei & Appelsbosch Hospitals- Water Purification System*". This is self-explanatory- at this stage official order N0734192 was issued to Intaka, previously discussed in this report.

**B1/1**

**22) E-mail from van der Merwe to Buthelezi dated 11 December 2006**

**B27**

- 9.087 On 11 December 2006 van der Merwe sent an e-mail to Buthelezi titled: Wataka Rietvlei/ Appelsbosch Invoice 50%. The sender also attached Intaka invoice number 251 dated 12 December 2006 in the amount of R4,980,000.01 for 2 x Wataka HWT 025 units. The payment terms are reflected as: "*COD, 50% deposit as per agreement of sale order 26- Customer Order No. 0734192*".

**B27/1**

**B27/2**

- 9.088 On 11 December 2006 KZN Health letter from Dr Nyembezi to Intaka advised them that Government does not pay for goods in advance. Intaka's quotation dated 2<sup>nd</sup> October 2006 included a payment of 50% by electronic transfer against the signature of the agreement and 50% against delivery. Their quotation was accepted per the Department's letter of award to them dated 9 October 2006. This reflects on the overall poor management of the entire procurement process and the disregard for same. No formal contract was entered into between the 2 parties; however the letter of award constitutes a "legal and binding contract", in terms of the Interim Delegations.

**B27/3**

**B7/3**

**B11**

**A3/14**

- 9.089 Intaka replied the following day 12 December 2006, that they proceeded with the conditions stated in their proposal and confirmed through the awarding letter- as I pointed out in the previous paragraph. However, Intaka agreed to pass a credit note and only invoice the Department upon delivery and then installation.

**B27/4-5**

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**23) KZN Health letters dated 15 December 2006**

**B28**

9.090 The said letters dated 15 December 2006 from the office of the HOD requesting the Hospital Managers of Rietvlei and Appelsbosch to advise the HOD as soon as delivery and installation of the water purification systems has been completed satisfactorily, in order for payment to be made. **B28/1-2**

9.091 On 18 December 2006 the Acting Hospital Manager of Rietvlei Hospital sent a letter to Intaka, confirming delivery of the water purification system on 15 December 2006, and awaited the installation thereof. On 20 December 2006 Adriaan Laubscher, the Financial Manager of Skyros Properties (Pty) Ltd (Skyros), (an entity linked to Savoi and to be discussed later in this report) sent an e-mail to van der Merwe, attaching an Intaka invoice for a Wataka 025 delivered to Rietvlei Hospital on 15 December 2006 and requesting payment details. **B28/3**  
**B28/4**

9.092 On 28 December 2006, Jolene Pandaram (employed within Infrastructure Development) replied to the above-mentioned e-mail from Skyros and requested the original invoice number 254 in order for her office to effect payment. **B28/5-6**

**24) KZN Health letter dated 18 January 2007**

**B29**

9.093 The said letter dated 18 January 2007 is addressed to Mr DSD Shabalala, Head of Department, Provincial Treasury from Dr Nyembezi, titled "Survey on quality of water at Health Facilities". The writer has summarised the events from September 2006 to 18 January 2007 and has requested Provincial Treasury assist the Department with funding.

**25) KZN Health letter dated 22 January 2007**

**B30**

9.094 The said letter dated 22 January 2007 from Dr Nyembezi to Savoi is titled: "Appelsbosch Hospital" and reads as follows: "Further to our discussions regarding the delays in the installation of the Wataka Water Purifier at Appelsbosch Hospital, it is my understanding that representatives from Health, Works and Intaka met at

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*Appelsbosch on 28 September 2006 and decided on where the plant should be installed. Please proceed with the installation as agreed at that meeting".*

26) Intaka delivery note number 11 (undated) and other relevant documents relating to delivery, commissioning and workings of the water purification plants/ systems	B31
On 16 February 2007 NP Dladla, Hospital Manager of Rietvlei Hospital acknowledged receipt of 1 x Wataka HWT 025. On 1 March 2007 Intaka sent a letter on Dr Nyembezi advising her of the status of the Wataka HWT 025 for Rietvlei and Appelsbosch. On 23 March 2007 Intaka sent a letter to Dr Nyembezi advising her that the installation and commissioning was complete. On 27 March 2007 NB Mlindazwe of Rietvlei confirmed that the equipment and goods have been properly installed and is in good working order. On 30 March 2007 NP Dladla of Rietvlei advised Lindie Xulu (Infrastructure Development, who were responsible for payments to Intaka), advising of problems encountered with the water purification system. On 10 April 2007 Dr Nyembezi sent a letter to van der Merwe, attached the Intaka letter dated 23 March 2007 and informed him to process payment. On 19 April 2007 Lindie Xulu sent a letter to Appelsbosch requesting the status as to whether the water purification system has been completed satisfactorily, in order for her office to process payment. On 24 April 2007 NP Dladla of Appelsbosch confirmed that the system has been completed satisfactorily. On 14 May 2007 Rietvlei Hospital sent a letter to Lindi (Xulu) advising her that the cylinder head of the compressor on the water purification system had cracked on Monday 7 (May 2007) after "Wataka" increased the revs. The compressor was then changed, however the job is not yet complete as the pipe for the polyfar that was broken was not yet replaced. In addition the operational manual was still not submitted to their Artisan for continuity of care. There is no further documentation on file in so far as it relates to the problem experienced at Rietvlei Hospital with the system. Final payments were then made to Intaka as previously discussed in paragraph 9.031 of this report on 29 May 2007 and 21 June 2007 for Appelsbosch and Rietvlei Hospitals respectively.	B31/1-2 B31/3 B31/4 B31/5 B31/6-7 B31/8 B31/4 B31/9 B31/10 B31/11-12 B1/6-9

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**27) Additional documents on file at Dr Nyembezi's office**

- 9.096 I wish to briefly refer to additional documentation located in the file maintained at Dr Nyembezi's office:
- 9.097 On 19 April 2007 Dr Nyembezi was requested to attend a meeting with the Ministry of Water Affairs and Forestry at the request of the African National Congress (ANC) on 20 April 2007 to discuss water provision in the Province. Dr Nyembezi on 20 April 2007 requested W Khanyile attend the meeting on behalf of the Department as she would only be able to join the meeting later. A letter to the ANC of the same date however states that Mr J Maniram would attend the meeting in question. I have no further documentation as to what transpired at the meeting. B32/1 B32/2 B32/3 B32/4
- 9.098 On 3 May 2007 Dr Nyembezi sent a letter to the Ms G Gumbi- Masilela, Head of Department, Department of Local Government and Traditional Affairs. It is titled Wataka HWT015 and reads as follows: B33/1
- "Further to our discussions regarding the Department of Water Affairs and Forestry support to the Department of Health for the amount of R10 million to purchase water purifiers as part of the Local Government and Traditional Affairs tender, could you kindly indicate the way forward in this regard. I have attached herewith a Proposal from the Service Provider for water purifiers for clinics for your ease of reference".*
- 9.099 The proposal referred to by Dr Nyembezi is dated 5 April 2007 on an Intaka letterhead. It is addressed to Dr Nyembezi and is titled Wataka HWT015. The writer then commences: "i hereby confirm our proposal for the clinics as follows": B33/2

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Item	Description	Amount
1	Quantity: Six units Wataka HWT 015 each capable of purifying up till 15,000 litres per hour. This system is fully automated and manufactures 100% of stainless steel for durability and effortless maintenance.	1,500,000.00 per unit, VAT Included
2	Other: Transport, concrete slab, installation and commissioning	170,000.00 per unit
3	Delivery: 45 working days from receipt of order	
4	Note: manufactured at KwaZulu- Natal premises. Payment 75% against receipt of order of unit at clinic. Balance, 30% after commissioning validity of offer 23 April 2007	

9.100 I earlier in paragraph 9.073 of this report referred to an undated and unsigned report located in the file at Dr Nyembezi's office. In terms thereof the supplier had agreed to supply six Watakas for R1,500,000 each inclusive of VAT, plus an additional R1,000,000 for transport, installation and commissioning. Hence, the above quote (5 April 2007) is similar to the report that I deemed to be issued in October 2006 from the office of Dr Nyembezi. In this instance (5 April 2007) Intaka has indicated that the unit would be a Wataka HWT 015, whilst that supplied to Rietvlei and Appelsbosch was a Wataka HWT 025.

B19/11

9.101 We also located a document titled Wataka: Patent no. 2003/9900 in the file at Dr Nyembezi's office. The "technical specifications" are listed in a table on page 6 of the document. In terms thereof there are 4 models: 025, 030, 040 and 050. Hence, there is no model 015 listed in terms of this document and Rietvlei and Appelsbosch Hospitals received the smallest of the 4 Wataka models: it produces 25,000 litres per hour as opposed to the 050 that produces 50,000 litres per hour.

B34

B34/6

9.102 Also contained in the file at Dr Nyembezi's office is a copy of the front page and page 2 of the "Gansbaai Courant". It is an Afrikaans newspaper article and I briefly refer to relevant parts of the article. In terms thereof a system known as a Wataka, manufactured by a Cape Company "Inkata" can be manufactured and commissioned within 3 weeks. It can produce 14 litres per second. It was purchased for R1,9 million. I calculated the litres per hour by taking the quoted 14 litres per second x 60 seconds = 840 litres per minute, x 60 minutes = 50,400 litres per hour. Hence, the product

B35

References in the margin refer to  
 appendix numbers

PricewaterhouseCoopers



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appears to be a Wataka 050 (quoted at 50,000 per hour in terms of the Wataka document), that was purchased for R1,9 million in December 2005. The Department paid R4,980,000 for the smaller Wataka 025 approximately 1 year later.

**B34/6**

**Investigation conducted into the 3 quotations**

9.103 I previously in paragraphs 9.049 to 9.056 referred to and discussed the 3 quotations alleged to have been obtained by the Supply Chain Management Unit, in terms of Ntshangase's Memorandum dated 6 October 2006. I further summarised the information provided on each of the 3 quotations in a spreadsheet and identified key findings in paragraph 9.057 of this report. Of significance is that we were unable to determine what specifications were provided to these entities, by whom and whether they had quoted on like systems. In addition all 3 entities came from the Western Cape and it was unclear how Ntshangase, the Supply Chain Management Unit or Dr Nyembezi or her personal assistant, to whom the quotations were addressed, had acquired the details of these entities, particularly Imvusa and Westpro who are not listed on the Provincial Suppliers Database. (The fact that Westpro and Imvusa were referred by Intaka became evident when the Intaka records were reviewed – refer paragraph to 9.219, 1) and 2)).

**B7-B9**

**B10**

9.104 Detailed below are the results of my investigation into each of these entities and information received from them where applicable. We also communicated with and obtained information from a 3<sup>rd</sup> party entity closely linked to the 3 entities who submitted the quotations. During the course of investigating these entities we also interviewed officials involved in the procurement process that will be dealt with later in this report. Hence, we were gathering information simultaneously from both within the Department and external thereto as part of the bigger investigation; but each aspect is reported on separately in this report.



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**Intaka Investments (Pty) Ltd**

- 9.105 The registration number recorded on the footer of their quotation dated 2 October 2006 is 2003/021018/07. We conducted a Kreditinform enquiry and determined that the said registration number belongs to Intaka Holdings (Pty) Ltd. The said entity was previously known as Intaka Tech (Pty) Ltd and was first registered on 28/08/2003. The holding company is recorded as "Savoi Family Trust". The Active Principals are Dr G Savoi id 521226 0000 000 appointed on 28/08/2003 and Mr R Savoi id 810212 5000 000 appointed on 21/11/2007. In terms of the footer of the quotation the other 2 directors as at 2 October 2006 were Fernando Praderi and Clement Morris. In terms of the Kreditinform Report these 2 persons resigned as Directors, however the date of resignation is not reflected. It would appear that the entity with registration number 2003/021018/07 was known as Intaka Investments (Pty) Ltd at the date of the quotation and subsequent thereto changed its name to Intaka Tech (Pty) Ltd and then Intaka Holdings (Pty) Ltd. Intaka Investments was registered on the Provincial Suppliers Data Base on 14 September 2005.
- 9.106 I further previously referred to the Intaka quotation being e-mailed from [amarcos@skyros.co.za](mailto:amarcos@skyros.co.za). We conducted a Kreditinform enquiry and determined that an entity is registered in the name of Skyros Medical Supplies (Pty) Ltd (Skyros Medical). The entity with registration number 2004/010238/07 was registered on 20/04/2004. It was previously known as Mpisi Trading 129. The Active Principals are recorded as Gaston Savoi id 521226 0000 000 and Beatrice Ntombenhle Otrina Shabalala (Beatrice Shabalala) id 690119 0332 083, both appointed on 20/04/2004.

**Imvusa Stainless**

- 9.107 The registration number recorded on the footer of their quotation dated 2 October 2006 is 2006/116265/23. We conducted a Kreditinform enquiry and determined that the said registration number belongs to Imvusa Stainless cc. The said entity was previously known as Imvusa Trading 1319 and was first registered on 11/07/2006. The Active Principals are: Donald Keith Miller (Don Miller) id 521204 5002 082

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appointed on 27/09/2006; Gregory George Petersen id 601229 5092 083 appointed on 09/11/2006; Ronald Desmond Rabie id 500311 5060 088 appointed on 09/11/2006; and Ansano Romani id 470130 5041 088 appointed on 26/03/2007. Hence, only Don Miller was a Principal at the date of the quotation; that was also signed under the name Don Miller. He is also the sole member at the time in terms of the footer of the quotation. The entity was registered approximately 2.5 months (11/07/2006) prior to submitting the quotation to the Department (02/10/2006), whilst Don Miller became a registered member a week prior to the quotation (27/09/2006).

- 108 We determined that Invusa was not at 2 October 2006 registered on the Provincial Suppliers Data Base, and is still not registered. C3/10-11
- 9.109 We initially attempted to contact Don Miller by telephone, but he was not in the office and his cellular was not answered. We then sent him an e-mail on 21 September 2009. We requested the following basic information from him and also provided him with his own quotation, as well as with a copy of the Intaka quotation after we deleted the price, for his information:
- 1) *"Do you confirm providing the attached quotation?"*
  - 2) *If so please provide us with the background into the matter; the circumstances under which Invusa were requested to quote; the primary contact person at the Department; the specifications provided by the Department; the name of the person who provided the specifications etc.*
  - 3) *Was a site visit conducted by Invusa, if so when and was a Department official present.*
  - 4) *Did your quotation meet the requirements of the specs provided, please comment on your product in more detail.*
  - 5) *What was the estimated cost of the "exclusions"?*
  - 6) *Are you familiar with the entity known as Intaka?*
  - 7) *Are you familiar with the product they quoted on? If so, where is this system manufactured, who are the authorised agents etc.*
  - 8) *What was/ is the price of the Intaka product if known to you i.e. are Invusa able to provide the product?*

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- 9) Please also refer to the "ingredients" on page 2 of the Intaka quotation; we understand that the system requires monthly chemicals, please advice as to the cost thereof per month.
- 10) Does the Intaka product compare with your own system that you quoted on? If not what is the Imvusa equivalent and do the products differ if applicable.
- 11) Any other information you wish to bring to our attention".

9.110 We followed this up with telephone call again on 23/09/2009 and were advised that he was returning on 28/09/2009. We contacted his office again on 28/09/2009 and were informed that he was overseas until 05/10/2009. We requested to speak to someone who may have knowledge of the quotation. We initially were put through to a Mr Ron Rabie (Rabie); however he then referred us to Mr Ansano Romani (Romani) as he was the person who had knowledge of the matter; (both of these persons are Principals in terms of our Kreditinform enquiry). During our discussion he referred to an entity known as "Grotto" who manufactured the plants in question for Rietvlei and Appelsbosch Hospitals according to Romani. He also stated when prompted by us that a 3<sup>rd</sup> party in KwaZulu- Natal had done the installation and commissioning of the plants at the said hospitals. It was agreed that we would send him the e-mail questions we had sent Don Miller and he would attempt to answer same. We duly sent him the said e-mail on the same day (28/09/2009). We followed this up on 01/10/2009 and left a message on his cellular, but we received no reply.

9.111 We subsequently received the following reply from Don Miller on 09/10/2009:

C3A/1-3

*"Please find below my answers to your questions as best that I can recall without prejudice, one must realise that all of this took place three years ago and no effort was made to capture information as it was only an enquiry and there was no further correspondence .*

- 1) I confirm that Imvusa provided the offer as attached.
- 2) I was called on the phone by a person. I do not recall the persons name or gender requesting a price for water purification plants for two hospitals in Natal, I do not recall if I asked how he/she got hold of Imvusa. We discussed some of the basic

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*requirements and since I had been involved with similar plants in my previous employment I felt I could give a price. The person I sent the quote to must have been given to me by the person who originally contacted me. Possibly a person by the name of Andile Zonvo.*

- 3) *Prior to submitting the offer Imvusa used a third party to inspect the sites and at that time I was not aware whether any department official was present or not.*
- 4) *There was no spec's given to Imvusa by the hospital barring the flow rate of 40 cubic metres per hour. I based the offer on the plants manufactured for Intaka at my previous employer but with an efficient filtration system which I thought would be beneficial for hospitals applications.*
- 5) *Not sure as we did not have details of the water distribution requirements, electrical supply point, quality of the water. An estimated cost of the exclusion could be between R 500K to 700K.*
- 6) *I am familiar with Intaka as they were customers of my previous employer.*
- 7) *I am familiar with the Intaka water plants as they were manufactured by Grotto, my previous employer. I do not know whether Intaka had /has authorised agents.*
- 8) *I have no idea what Intaka sales their plants for. Imvusa could only manufacture an Intaka plant if contracted by Intaka to do so.*
- 9) *Difficult to estimate the consumption of the chemicals as this is largely dependent on the water quality, especially during rainy season.*
- 10) *Imvusa would have offered a similar product as there are many such systems available.*
- 11) *Imvusa had just been formed and we were looking for any work to get us going".*

9.112 After receiving the said reply and after examining the content thereof it was evident that the reply was vague and that it required further detail. We telephoned him on 19/10/2009 and discussed his reply. We specifically asked him who the third party was that he referred to in point 3 of his reply that Imvusa used to inspect the sites. He informed us that it was Romani. In his reply he stated the following under point 11: "*Imvusa had just been formed and we were looking for any work to get us going*". His reply to us and his verbal interaction with regard to the whole matter did not fit in with someone who had started up and was looking for work. The reality is that Imvusa had submitted a quotation in the amount of R5,802,000, but have minimal details of

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who contacted them; how they obtained their name and contact details; no specifications were provided and it would appear very little follow-up as to whether their quotation was successful or not, was done. Like Romani he referred to Grotto and that they were his previous employer, in his written reply, as the entity who had manufactured the plants for Intaka. We told him that his reply was vague and that it was a serious matter. We requested he provide us with more details. We subsequently sent him another e-mail on the same day (19/10/2009) requesting whether he intends replying in more detail as his answers were vague in the extreme. Note: In his reply he refers to a person "Andile Zorvo" as the person who may have initially contacted him. An official named Andile Zondo is employed within Supply Change Management and will be discussed later in this report. She denied ever requesting a quotation from Don Miller or Imvusa.

9.113 We received the following reply from Don Miller on 21/10/2009:

C3A-4-5.

*"I refer to your e-mail of the 19<sup>th</sup> of October 2009 and our previous correspondence herein. I write to you without prejudice to my rights and those of Imvusa Stainless (Pty) Ltd.*

*On the 9<sup>th</sup> of October I replied via e-mail to a list of questions which you sent me on the 21<sup>st</sup> of September 2009. I have replied to your enquires to the best of my recollection and having regard thereto that the quotation was prepared approximately 3 years ago. I am unable to assist you further herein.*

*Notwithstanding the above it has been now been brought to my attention by our consultant at the time that there were three persons from the department at the site meeting namely: F.W.Khnmo, M.M.Mhlomgo and P.S.Biyese.*

*Should you have any new questions or enquires I would gladly consider the same. With regard to your enquiry regarding the specifications of the plant, I confirmed that no written specifications were received from the department at that time. The only telephonic specification was that the plant should have a capacity of 40,000lt/hour. I would advise that in order to meet the above-mentioned specification, our water plant would likely have comprised of the following components, namely:*

- a) 1 x 25,000lt Water storage tank manufactured from stainless steel.*
- b) 1 x 40,000lt/hr Reactor unit manufactured from stainless steel.*
- c) 1 x Set sand water filters manufactured from stainless steel.*

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d) 1 x Micro pore filter unit for hygienic filtration.

e) 1 x Electronic control panel complete with vales, pipe work and pumps.

Please note that the supply lines to and from the filtration unit was not part of the scope of supply.

We did not retain any of the working papers and the costing schedules which was used to prepare our offer, accordingly the above-mentioned composition of the water plant is based on a fair assumption, but is not necessary an accurate record of how our offer of 2006 was arrived at".

**Westpro Fluid Handling Systems (Pty) Ltd**

9.114 The registration number recorded on the header of their quotation dated 29 September 2006 is 1994/04063/07. We conducted a Kreditinform enquiry and determined that registration number 1994/004063/07 (i.e. an extra 0 before the 04063) belongs to Westpro Fluid Handling Systems (Pty) Ltd trading as Westpro. The said entity was previously registered as a cc. It was first registered on 15/06/1994. The Active Principals are: CJ Scott id 471112 5064 087 appointed on 15/06/1994; RJ Geddes id 530427 5140 003 appointed on 15/06/1994; and D Meagan id 600521 5098 107 appointed on 14/05/2001. Hence, all 3 were Principals at the date of the quotation; that was signed under the name **Ron Geddes**. They are also reflected as directors in terms of the header of the quotation. It is evident that this was an established business at the time of the quotation.

B9/1

C4

9.115 We initially contacted Ron Geddes by telephone and discussed the matter under investigation on 21 September 2009. We then followed this up with an e-mail on the same day. We requested the same basic information from him as we had requested from Imvusa and also provided him with his own quotation, as well as with a copy of the Intaka quotation after we deleted the price, for his information.

9.116 Mr Geddes telephoned us on or about 25/09/2009 and left a message stating he would get back to us on 28/09/2009. He added that he would have to look for the documents and would try and answer the questions as best he could. During the conversation he also (like Romani and Don Miller) stated that Grotto is the entity who



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provided the water purification systems for Rietvlei and Appelsbosch Hospitals.

9.117 On 9 October 2009 and 19 October 2009 we sent reminders to Ron Geddes and enquired whether he intended replying to our request dated 21 September 2009. On each occasion he replied that he would be responding. On the last occasion he stated in his e-mail the following: *"Sorry for the delay. We have found the quote from Grotto and will send you all the details on Wednesday as I am out of the office and will be back then"*. At this stage we were not certain what *"the quote from Grotto"* meant, as had not previously seen a Grotto quote.

9.118 Ron Geddes replied in writing on 21 October 2009 as detailed hereunder:

C4A/1-4

*"Further to your request, we enclose for your perusal the answers to the questions posed regarding the Department of Health:*

- 1) *Yes we confirm providing the quotation.*
- 2) *We received a call for a 50m<sup>3</sup>/hr raw water filtration plant. No additional specifications were attached or discussed. The contact person's name I cannot recall as this was in 2006. We were asked to send a quotation to the department of health for the attention of Ms Samantha Cheatle.*
- 3) *No (in answer to our question: was a site visit conducted by Westpro?)*
- 4) *No specifications were given however the plant quoted is capable of processing the capacity required.*
- 5) *We were not asked to price on any other items.*
- 6) *Yes (in answer to our question: are you familiar with an entity known as Intaka?)*
- 7) *We do not know what they quoted on in this instance but know their product. Their product does however carry a patent number which ensures that competitors cannot copy their design.*
- 8) *We do not know what their pricing structure is, or the intimate specifications of their design. We are however able to offer a suitable alternative as there are a number of companies who build water purification plants.*
- 9) *We did not offer on any additional products required as this was not requested.*
- 10) *We do not know what Intaka quoted for and therefore cannot comment.*

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11) *We attach a copy of a quotation received from Mr Ansano Romani which details more fully the specifications for the plant offered".* C5

9.119 I wish to briefly refer to the explanation above and attached quotation of Romani issued on a Grotto letterhead. In terms of Ron Geddes explanation I interpret this as follows: Westpro were requested to submit a quotation by an unknown person at the Department, for attention of Samantha Cheatile. The only specifications they received was that the system must produce 50m<sup>3</sup>/ hour. He then requested and received a quotation from Romani as per attached annexure C5, as Grotto was manufacturing the plants and Westpro do not. He then prepared his quotation to the Department based solely on the quotation of Grotto issued by Romani, adding on a mark-up. The quotation of Grotto to Westpro is dated 26 October 2006, whilst Westpro's quotation to the Department is dated 29 September 2006 i.e. approximately 1 month before Grotto's quote, and hence the dates contradict Ron Geddes' explanation. The amount quoted by Romani amounts to R4,525,000. Ron Geddes added a mark-up of approximately 37% and quoted a price of R6,210,000 to the Department, without any other specifications, site visits or technical analysis. In addition to Romani quoting on behalf of Grotto, we had been informed by Don Miller of Imvusa as earlier discussed, that the said Romani was the third party who conducted the site visit on behalf of Imvusa (whilst being employed by Grotto). B9

**Grotto Manufacturing (Pty) Ltd and Information provided by Mr Tony Gerrans**

9.120 We were provided with the name Grotto by both Don Miller and Romani of Imvusa and Ron Geddes of Westpro; Don Miller having also referred to Grotto in his written correspondence to us. We subsequently contacted Mr Tony Gerrans (Tony Gerrans) the Managing Director of Grotto. We initially determined from him that Grotto had manufactured a number of water purification plants on behalf of their client Intaka during 2006; that Westpro are suppliers of pumps and not water purification plants; and that Imvusa were a break- away entity of former Grotto staff that had only just been formed at the time of the quotations (October 2006). We requested his assistance in reviewing the 3 quotations from the point of view of someone who is knowledgeable about water purification systems and to identify the 2 water B7-B9

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purification systems at Rietvlei and Appelsbosch Hospitals, based on photographs we had obtained during our visit to Rietvlei and Appelsbosch Hospitals. We further requested his knowledge of the quotation alleged to have been provided by Grotto to Westpro referred to earlier.

C6-C7

C5

- 9.121 He provided us with information during the course of the investigation, as we obtained additional information and documentation, that is detailed hereunder and contained in an affidavit provided by him:

General Background of The "Wataka" Water Filtration System, Intaka, Grotto and Imvusa Stainless

- 9.122 *In the first few months of 2005, Intaka approached Grotto to develop and manufacture water filtration plants in South Africa. The two companies formed a loose arrangement to build the plants at Grotto's facility in Cape Town. Initial discussions between the companies were held between Romani from Grotto and Dr Savoi from Intaka, but the bulk of the project was handled for Intaka by Mr. Praderi and Mr. Sanchez from Intaka. Romani remained the responsible person at Grotto until his departure from the company in January 2007.*

C8/1-2

- 9.123 *Grotto came to learn later that Intaka had canvassed other stainless steel manufacturers (Windmuel Ingeneurswerke and Velo SA) prior to selecting Grotto to build the plants. There were also some early discussions about Intaka possibly taking a share in, or purchasing Grotto outright, but these discussions never gained any real traction.*

- 9.124 *Intaka marketed these plants under the name 'Wataka'. Grotto's understanding was that they were intended for use in rural areas, to clean river and/or ground water for human consumption. Between May 2005 and October 2006, Grotto was commissioned by Intaka to build 30 complete "Wataka" units. These plants were completed by the end of 2006. The first two plants were (unilaterally) discounted by some 50% by Mr. Romani, ostensibly as Grotto's contribution to developing this new product. Subsequent plants were sold to Intaka for between R412,000 and*

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*R475,000, the price variance being the result of fluctuating steel prices and some specification creep relating to the control system of the plants. This price included all the elements of the plants namely:*

- *A stainless steel reactor (really a circular open top reservoir with an internal cone and associated walkways);*
- *Two stainless steel filter tanks, filled with sand filter media, and mounted on a free standing steel frame;*
- *All the necessary pumps, control panels, electrical and pneumatic control lines.*

*Grotto's price did not include transport to site or installation as these items were sub-contracted directly to 3rd parties by Intaka.*

9.125 *The relationship with Intaka was a difficult one for Grotto, as the plants were clearly still in a developmental phase, and they required constant and ongoing modification during and after manufacture to meet a changing specification. There was substantial schedule pressure imposed by Intaka during manufacture, but then the majority of the completed plants stood in Grotto's yard for up to 18 months. Intaka took in excess of 12 months to settle all the payments due under these contracts.*

9.126 *It was also clear that Intaka was experiencing significant difficulties with the sales and installation of the plants. The chosen locations evolved from rural communities to local or regional hospitals. We understood that the plants manufactured at Grotto were originally destined for hospitals in the Northern Cape, but were then reallocated to sites in KwaZulu-Natal. Due to the way our contracts with Intaka were managed, Grotto staff was never sure where the plants were ultimately sent, other than in one instance, where we were pretty sure one unit went to Upington Hospital in the Northern Cape.*

9.127 *Between June and August 2006, a number of senior staff left Grotto due to persistent disagreements with the MD about work performance and ethical standards. Don Miller and Ronnie Rabie were given retrenchment packages in July 2006 and left Grotto to set up their own business in Blackheath with one of Grotto's subcontractors,*



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*Petersen's Engineering. The new company was called Imvusa Stainless. Romani stayed on at Grotto, but it later became clear that it was always his intention to join Imvusa. He resigned voluntarily from Grotto in January 2007 and immediately took up his position as one of the four directors at Imvusa.*

- 9.128 *During the period after Don Miller and Rabie left Grotto and before Romani's departure six months later (July 2006 – January 2007), Grotto continued to court Intaka's business, but were unsuccessful in securing any further orders. The responsibility for managing this account remained with Romani. Subsequent to his departure from Grotto in January 2007, the company learnt that Intaka has placed a large order for further Wataka plants on Imvusa during this six month window. Romani never disclosed to Grotto that this work had been lost, so it is likely that he retained contact with Intaka in his personal capacity and simply orchestrated that the work be placed on his new business.*
- 9.129 *During 2007 and 2008, Grotto came to learn that Intaka was contemplating another 60 water plants, and the company attempted to secure an opportunity to quote for this business. These efforts were unsuccessful, and we later came to learn that Intaka had purchased approximately 50 additional units from Imvusa. The new company was quite incapable of building this new volume of work and sub-contracted significant amounts of the work to Velo (in Wellington), Cape Pipe Developers and a small private contractor in Cape Town named Abdul Arnold. It is our understanding that these plants were destined for Angola, however significant numbers still remain in storage near Intaka in Blackheath, Cape Town. Grotto's efforts to re-establish a business relationship with Intaka have been met with failure until recently, when Intaka has provided a new secrecy agreement to Grotto, and we have subsequently begun discussions about updating Grotto's drawings and looking at re-pricing the units.*

Quotations

- 9.130 *We initially sent him copies of 3 quotations (the prices were deleted by us) and requested his comments on the quotations and specifically whether each of the 3*

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entities in question were quoting on a similar product and the same specifications:

- 1) Intaka quotation dated 2 October 2006;
- 2) Imvusa quotation dated 2 October 2006; and
- 3) Westpro quotation dated 29 September 2006.

9.131 *We do not understand the quotations you have attached. There is insufficient information in the Imvusa and Westpro quotes to determine the fundamentals of the scope of supply. However, I can comment as follows:* C8/3-4

- 1) *The Intaka quotation details their 25m3 unit, and refers to it by their brand name Wataka. We are not aware that Intaka has capacity to manufacture these units in house – hence their appointment of Grotto and later Imvusa to manufacture the units on their behalf. We have no knowledge of the patent they claim to hold, but can confirm that whilst Grotto was building for Intaka, the design was protected by a secrecy/non-disclosure agreement concluded by the parties.*
- 2) *The attached quotation from Imvusa appears to be for equipment identical or very similar to what Grotto previously supplied to Intaka, and what Imvusa have recently built for Intaka for export. It is our understanding that Imvusa has no water plant design of their own, and that this quote most likely refers to the Intaka design they have been building under licence.*
- 3) *Grotto has no knowledge of the Westpro equipment. Westpro is a pump supply company that has previously supplied pumps to both Grotto and Imvusa for the Intaka water plants. Their description is consistent with the principal elements of the Intaka system.*

9.132 He further provided us with a copy of the most recent quotation sent to Intaka for work awarded to Grotto dated 8 June 2006. *The said quotation provides for a detailed description of some of the technical elements of the plant.* C8/5-7

Grotto letter dated 26 October 2006 C5

9.133 *The letter in question first came my attention on Friday 16 October 2009, when Mr* C8/8-12



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*David Meagan of Westpro advised me that it had been e-mailed to Westpro earlier that week. On Monday 19 October 2009, he provided me with a copy of the letter, but not with a copy of the email itself. I was requested by PwC to comment on the letter in question. It was my immediate opinion that the letter was not genuine, and subsequent investigations have reinforced this view. My investigations into the matter confirm the following:*

- a) *Grotto employs a sequential numerical enquiry and offer tracking system. There is no record of this enquiry, or of the subsequent letter signed by Romani in this system. This is highly irregular. Each enquiry, no matter its nature, is allocated a number, prior to processing by the sales dept. This number is indicated on all letters sent from the company, whether they are firm offers, budget prices, or any other correspondence related to an enquiry. A review of all the enquiries received during September and October 2006 has failed to uncover any enquiry from Westpro. The letter itself, inexplicably, does not contain an enquiry number.*
- b) *A thorough search through Romani's archived documents at Grotto has failed to uncover any evidence of such letter being written in October 2006*
- c) *Other letters of offer sent by Romani around this time differ in appearance from the letter in question. The background in the corporate logo on letters in Grotto's possession is filled with shading, whereas the logo on Romani's letter is not. The company registration number on Romani's letter is partially obscured, further suggesting the letter is a fabrication. Finally, our standard offer template at the time included the customer name and enquiry number a second time in the footer, both of which are absent in Romani's letter. He also provided a copy of another letter of offer sent by Romani at this time.*
- d) *Romani's letter is dated 26 October 2006, but Westpro's bid to the KZN government is dated 19 September 2006 – nearly one month earlier. It is not clear therefore how Westpro could have relied on the contents of Romani's letter in preparing their bid to the government, if Romani's letter was written a month after Westpro's bid was submitted.*
- e) *Finally, as MD of Grotto at the time the letter was alleged to have been written, I would have known if any enquiry of (i) this magnitude or (ii) for an alternative design of water purification plant was received by the company. This would*

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*especially be true if such an enquiry came from a supplier company, (and one currently part of our supply chain for products to Intaka).*

- 9.134 *Romani was appointed to the position of Director: New Products in 1 February 2005. In this role he was tasked with developing new product lines and expanding into new markets, primarily tankage for the food and beverage industries. In July 2006, the company concluded a restructuring process, during which Romani's job description was changed to Marketing and Sales Manager. He was then appointed as the most senior person responsible for all sales and marketing activities in the company. His responsibilities included managing and maintaining all sales, enquiries, and associated documentation. He represented the sales function at a senior management level, and was party to all management decision making. Although his title was "manager", he remained a director at Grotto until 9 November 2006, when he inexplicably resigned as Director. He went on to resign from the company in January 2007, and almost immediately took up a position at Imvusa.*
- 9.135 *Mr Romani was authorized to sign all letters of offer on behalf of the company. Although there were no formal mandates or limits to authority in place at the time, the pricing, payment terms and other details of larger contracts were typically discussed within the management team prior to being sent to clients. The letter in question purports to provide information to a supplier company, which would allow them to submit a competitive bid against Intaka, which was at that time Grotto's largest single client. Such co-operation with Westpro would not only be prejudicial to our largest client, but would also potentially be very damaging to Grotto. If Intaka had come to know that Grotto was facilitating competition against them, this would have been deeply damaging to our relationship with them. If Westpro has succeeded in the tender against Intaka, Grotto would have lost substantial business. As such, the content of this letter (if genuine) is not only illogical, but also probably constitutes a breach of Romani's duty of care to Grotto. As such, the preparation and distribution of such a letter could not possibly have been within any reasonable interpretation of Romani's powers within the company.*

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- 9.136 *There was no knowledge of such an enquiry from Westpro in 2006. Grotto was very active with Westpro at that time, as they were supplying us with the pumps for the Intaka water plants. Our Logistics Manager, being the primary point of contact with all supplier companies, informs me that he was not aware of such a quotation to Westpro. For such an enquiry to exist, but not to have been mentioned to our Logistics Manager, is highly improbable considering the almost daily contact Grotto was having with Westpro at this time. Grotto's Sales Administrator, (who is responsible for all admin surrounding enquiries, quotations and the collation of sales activity statistics such as orders won and lost, conversion ratios, competitor pricing etc), denies having even seen or been aware of such an enquiry, let alone a letter of such a suspicious nature. As discussed above, such an enquiry – even a budget enquiry - would have been processed through a systematic document system, and would have been traceable through its own unique number.*
- 9.137 *I cannot comment as to why (or if) Westpro was approached by the KZN government for a quote for water plants. It is however in my view highly unusual for Westpro to make such an enquiry on Grotto. Pursuing this line of business with the KZN government would (i) damage Westpro's relationship with Intaka, in that they were supplying substantial numbers of pumps for the Intaka water plants through Grotto, and (ii) would have damaged Westpro's relationship with Grotto, as they would in effect have been competing with our client. It is furthermore my understanding that Westpro was also quoting for the supply of pumps to Imvusa during October 2006. These pumps were the same pumps that are fitted to the Intaka water plants. The observation that Westpro would be damaging their relationship with Grotto by quoting the KZG government directly, would thus also be applicable to their relationship with Imvusa. Quoting against Intaka makes no sense for Westpro, as they would in effect be alienating both companies that were specifying their pumps, not only on the water plants, but into the wine industry generally as well.*
- 9.138 *Romani is referring to a confidentiality agreement concluded between Grotto Defranceschi and Intaka Investments. This agreement was signed in October 2003, and it expressly prohibited Grotto from revealing confidential information relating to Intaka's water plants to third parties, or even to staff at Grotto not working on the*

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*project. It may perhaps be possible to argue that Romani's letter to Westpro is so carefully worded that it avoids the contractual restrictions on disclosing information that Intaka was seeking to enforce, but it is nevertheless true that the content of such a letter would be in bad faith and contrary to the spirit of the existing agreement with Intaka. We noted the agreement was valid for 5 years after the date of signature, being 16 October 2003 and hence it had expired on 16 October 2008.*

9.139 *It is my opinion that it is not possible to contract for the provision of a water purification system without certain fundamental information. At the very least, the following would be required:*

- *The technology by which the water will be cleaned (i.e. ultraviolet, osmosis, filtration, precipitation, chemical etc);*
- *What raw water sources are acceptable;*
- *What input rate of flow is required;*
- *What power source is required;*
- *What additives are required;*
- *What is the plant's output;*
- *What output rate is generated;*
- *How will the clean water be stored;*
- *What reticulation is required to access the raw water and deliver the cleaned water;*
- *What other infrastructure is required (e.g. concrete plinths, fencing, high voltage electricity, backup gen sets etc);*
- *What are the maintenance requirements of the unit;*
- *What operators are required, and what skills set must they possess;*
- *Is the plant robust and protected against the weather, theft, corrosion etc;*
- *What process guarantees are offered;*
- *Whether the plant is mobile or fixed; and*

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- *How easily can it be transported and installed in rural areas.*

- 9.140 *I cannot understand therefore how the KZN government adjudicated the tender on the documents supplied to me by PwC, being the 3 quotations referred to in paragraph 11 of this affidavit. Nor do I believe it is possible for Westpro to have tendered for such a system without being technically competent in at least the categories of enquiry listed above. And it is thus equally improbable that Romani was able to offer any form of budget pricing without resolving these general issues with Westpro first. Clearly, the information listed above must be supplied and agreed as part of the specification, before any attempt can be made to specify and cost a suitable system.*
- 9.141 *I have no knowledge of what "experience and research" Romani is talking about. Prior to working with Intaka, Grotto had no institutional knowledge of water purification whatsoever. The development of the water plants with Intaka was an expensive process of trial and error. Grotto was working exclusively with Intaka designs, and many fundamental issues relating to the design and performance of the plants had to be learnt as the project progressed. I cannot recall a single incident during Romani's employment at Grotto where other research and/or experience were apparent. I can definitively state that it was not the company's policy, nor was it my instruction to Romani, that we should explore alternative systems. This would in any event have constituted bad faith in our relationship with Intaka, in which we were striving to develop, manufacture and sell the Wataka system. I can find no record in any of Romani's archived documents that he was engaged in any form of relevant research whatsoever. The product he is referring to in the second paragraph of his letter is presumably water filtration plants generally.*
- 9.142 *I have no knowledge of Romani visiting either of the two sites being Rietvlei and Appelsbosch hospitals, nor do his travel claims reflect any expenditure to get to, or travel within KZN during the second half of 2006. If he did indeed visit the sites, it was without my knowledge and I can only speculate in which capacity he was there.*

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9.143 *In our industry, the term "budget prices" is commonly used to describe a price forecast that can be used by a client to secure funding, project approval or to assess the feasibility of some form of capital expansion. As such, the prices are not precise, but are usually an honest estimate of what a project might cost at some agreed time in the future. It is Grotto's policy to be conservative with budget prices, and to slightly overcost the projects if there is any uncertainty regarding specification or project timetables, so as to not to leave potential customers with inadequate resources when the projects are implemented. That being said, accuracy is important to ensure the work is successfully awarded, and we strive for these price forecasts to be within 5% of the final expected costs. Many enquiries in our industry are "budget prices" and we typically treat them the same way as firm enquiries insofar as the quality of our estimating, quotations, and record keeping is concerned. I have no knowledge of what Romani is referring to when he states "the most stringent water quality requirements". I can only surmise that this is an attempt to motivate for the quality of the equipment in which he is professing to be an expert. It is my understanding that there are clearly defined international and local guidelines for water quality, and the specification of any water purification systems producing water for human consumption would need to make reference to these empirical standards.*

9.144 *The plant elements that Romani has described mirror very closely the Wataka system supplied by Intaka. Clearly there is a primary plant made from stainless steel used to precipitate larger solids from the raw water, a filtration plant using sand as the primary filter medium to remove finer particles, a chemical dosing system to destroy organic matter, and various control elements. This same architecture is evident in the various photographs PwC have supplied to me of the two Wataka plants at Rietvlei and Appelsbosch. There is no material difference between what Romani has described in his letter, and the Wataka system. It is my opinion that the indicated costs associated with each element are grossly inflated.:*

- *The purification plant (reactor unit in Intaka terminology) is the principal structure, but it need not cost R800,000. 316 grade steel is only used in highly corrosive environments, and any educated person in our industry would know that a 304 grade specification would be adequate for most applications. The reactor units*



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*supplied by Grotto to Intaka cost approximately R200,000, when the plants were last built in 2006.*

- *Likewise, the control panel and stainless steel box is very expensive. The system Grotto supplied allowed for a high degree of automation, was also fitted in a lockable stainless steel cabinet, and cost in the region of R80,000*
- *The prices for the valves also seems high, but could perhaps be justified depending on the number and exact specification of the valves themselves. The same can be said of the chemical dosing pumps. The transport costs seem to have been inflated significantly.*
- *The pricing for the filtration plants seems to be a total fabrication. In essence, this unit is comprised of one or two small tanks filled with sand of varying coarseness, through which water is pumped. Some ancillary equipment is required, such as pumps, pipe work, inlet and outlet fittings etc. but the entire structure remains an inexpensive construction. In any case, Romani has quoted the valves separately. Since the filter tanks contain only water, sand and perhaps some residual (and by definition benign chemicals) 304 grade stainless is adequate. There is also no reason for a stainless steel frame – galvanized mild steel is more than adequate in most cases. Even if the entire unit, frame, all pipes and valves etc was specified in 316 grade, a cost of R3,300,000 seems wildly overstated. The cost of this component of the Wataka system when manufactured by Grotto was approximately R150,000.*

- 9.145 *The description of the system offered by Westpro is identical in principle to that described by Romani, in that it contains the same three primary elements – settling tank (reactor), sand filter and chemical dosing system. As described in the Westpro offer, it is indistinguishable from the Wataka system.*
- 9.146 *I cannot explain how Romani could reasonably have got the prices so wrong. He personally did most of the estimating and costing work when the Wataka plants were first built at Grotto. Grotto also has a rigorous system of collecting accurate costs and reviewing completed jobs in detail, so in October 2006 Romani would have had accurate estimates and very precise costing records for the 30 plants already built at Grotto at his fingertips.*

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Furthermore, in September 2006, Romani was corresponding with Dr Savoi of Intaka about the price for a further 12 Wataka plants, which Intaka was at that time considering purchasing from Grotto. A copy of this correspondence is attached hereto for ease of reference. You will note that the negotiations centred on a price level of approximately R500,000 per plant, this after 46% increase in the price of steel. How Romani might attempt to reconcile this correspondence with the subsequent letter allegedly supplied to Westpro three weeks later is clearly a matter of some conjecture.

C11

147 The total cost of the plant quoted on by Romani to Westpro amounts to R4,525,000. Grotto has never sold a water plant for R4,525,000.

Summary

C8/11-12

9.148 After considering this matter at length, I have drawn the following personal conclusions:

- 1) Intaka, Grotto and Westpro constituted a single supply chain for the manufacture of Wataka water plants. The understanding between the parties at that time was that Grotto would manufacture the plants, Westpro would supply the pumps and Intaka would sell the completed units to their clients.
- 2) The plants were sold to Intaka for different amounts as the prices of raw materials and the specification of the plants changed. The most expensive plant Grotto sold to Intaka was R475,000 ex works. Negotiations were underway between the companies for the purchase of a further 12 plants, at a price not exceeding R500,000 each.
- 3) These negotiations, being handled by Romani for Grotto, stalled early in October 2006. The fact that Imvusa was quoting, and the reason why the discussions between Grotto and Intaka were called off were never made clear to the rest of the company at that time.
- 4) Imvusa prepared a bid for these 12 plants at about this time, and was ultimately appointed by Intaka to build these plants, with the work being done in the first half

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of 2007.

- 5) *Romani left Grotto in January 2007 to join Imvusa.*
- 6) *A social relationship existed between Mr Miller (formerly of Grotto but by this time a co-founder of Imvusa), Mr Geddes of Westpro and Mr Romani of Grotto that predated all these transactions.*
- 7) *In October 2006, Intaka, Imvusa and Westpro all submitted technically indistinguishable bids for water purification plants to the KZN government.*
- 8) *As a result of an investigation into these bids, Westpro has been asked to substantiate their offer from a commercial and financial point of view.*
- 9) *A fraudulent letter, addressed to Westpro, presented on a Grotto Defrancheschi letterhead and signed by Romani was prepared to retrospectively justify Westpro's bid.*

**Information received from Mr David Meagan of Westpro**

9.149 We were subsequently contacted by Mr David Meagan, a Director of Westpro as previously discussed in annexure C4. He was concerned with what was going on and the potential damage to Westpro, and offered his full co-operation. We sent him a set of questions including those sent to Ron Geddes earlier and received the following reply from him that included only the questions we had put to Ron Geddes:

C4B/1-3

- 1) *Firstly I would like to confirm that Mr. Geddes has operated outside of his mandate with Westpro Pumps by submitting the offer for water plants as this is not our business.*
- 2) *We cannot verify the authenticity of the quotation submitted by Mr. Ansano Romani of Grotto Defrancheschi. It is clear that the submission dates are in conflict with one another which therefore creates doubt.*
- 3) *The background as far as we can work out is that Mr. Ansano Romani requested Mr. Geddes to submit a quotation to the Department of Health KZN for a water treatment plant with the capability of processing 50m<sup>3</sup>/hr of water. However no relevant specifications were*

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*given by Mr. Romani or the Department of Health.*

- 4) *There was no site meeting conducted by ourselves and on questioning Mr. Geddes as to whom the contact person was, he genuinely cannot recall the name but does confirm that the person is female. We will still however pursue this avenue and submit and further findings*
- 5) *We believe that Mr. Geddes relied solely on the expertise of Mr. Romani as we do not supply water plants*
- 6) *I suspect that Mr. Geddes did not consider the exclusions*
- 7) *Yes – Intaka are a company that - to the best of our knowledge, have water purification plants produced under license. We have supplied numerous water pumps for two different applications to them*
- 8) *The system quoted on, we assume, would have in all probability been a copy of the Grotto Defranchesci unit which was being produced for Intaka at the time.*
- 9) *The price offered by Intaka is unknown to us. It appears that Mr. Geddes accepted the price from Mr. Romani at face value and submitted accordingly.*
- 10) *No we are not familiar with this specific product however we fully understand the operation of these systems. We understand that it is Intaka who are the authorized agents as it is their patent design*
- 11) *It must be noted that Westpro Fluid Handling Systems were only ever the provider of pumps for this and other water purification plants ordered by Grotto and Imvusa. To date we have not met the directors of Intaka and have only dealt with their logistic personnel and their group engineer. We received orders on the basis that we were competitively priced and able to deliver the units timeously. We confirm that we have not received any other form of income, based on the sale of the water plants*

9.150 We requested David Meagan to explain how the Grotto letter dated 26 October 2006 came into possession of Westpro as Tony Gerrans informed us: *"the letter in question first came my attention on Friday 16 October 2009, when Mr David Meagan of Westpro advised me that it had been e-mailed to Westpro earlier that week. On*

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*Monday 19 October 2009, he provided me with a copy of the letter, but not with a copy of the email itself". I have to date not been provided with a reply to this question by David Meagan.*

**Interviews conducted with KZN Department of Health officials**

9.151 We interviewed a number of Department of Health officials whose names appeared on various documentation and/or who were referred to us by officials at interviews as officials that had knowledge of the procurement of the 2 water purification systems under investigation. We obtained affidavits from these officials where deemed necessary and where they were willing to provide the same. Detailed hereunder is a summary of all officials interviewed and relevant information obtained from them.

9.152 We first interviewed the official who issued the order, as at this point in time we only had the order reflecting it had been issued by Miss Lindie Xulu (Xulu) on 30/11/2006 and no other procurement documents. I reported in paragraph 9.034 of this report, that we had ascertained that she was employed within the Departments Infrastructure Development Component. Upon interviewing Xulu we were provided with a number of documents already referred to in this report, by Infrastructure Development. We determined that the first document reflecting Infrastructure Development role is a Memorandum dated 22 November 2006, addressed to "Manager: Infrastructure Development Mr G van der Merwe" from "Manager: Central Supply Chain Management Mrs A Zondo", titled "ZNB 5575/2006-H: Water Purification System for Rietvlei & Appelsbosch Hospitals: Issuing of order".

B1

B22

**Interview with Mr Gerhadus van der Merwe**

9.153 We interviewed Mr Gerhadus van der Merwe, previously employed by the Department during the period 1<sup>st</sup> March 1968 and until his retirement on 30<sup>th</sup> September 2008. He was employed as a Manager within the Infrastructure Development component and responsible for the management thereof, during the period the order was awarded to Intaka until his retirement. We obtained an affidavit from him that includes the procurement of the 2 x Water Purification Systems for

D1



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Rietvlei and Appelsbosch Hospitals. Detailed below are extracts from his affidavit as it related to the water purification systems (his entire affidavit is relevant):

- 9.154 *"The functions of the Infrastructure Development component included amongst others the following:*
- i. To develop and maintain a policy framework, norms and standards for the development and maintenance of Departmental buildings;*
  - ii. To facilitate and coordinate processes for the acquisition of land, the design and construction of new buildings inclusive of the coordination of activities to equip newly constructed buildings for commissioning in accordance with the objectives of the Health Service Delivery Improvement Plan;*
  - iii. Oversee the executing of major capital maintenance projects in accordance with the objectives of the Departmental Multi-year Upgrading Plan;*
  - iv. Liaise with the Department of Works, Agencies and Service Providers to ensure that activities are executed according to plan and facilitate quality control arrangements; and*
  - v. Provide technical advisory services to the Department".*
- 9.155 *"I was one of three Senior Managers who were instructed by the Acting Head of the Department, Dr Nyembezi, to attend a meeting at the offices of Dr Savoi, the CEO of Intaka during August 2006. The purpose of the meeting was to view the self-generating oxygen plant known as the Oxyntaka and to attend a presentation on the working of the system. The two Senior Managers who accompanied me to this meeting were the following:*
- i. Mrs P Padayachee, General Manager at the Corporate Governance component; and*
  - ii. Mr VRM Ntshangase, General Manager at the Central Supply Management component".*
- 9.156 *"We viewed the oxygen plant at Somerset Hospital during our visit where it was in use. We met with Dr Savoi thereafter with some of his technical staff. They gave us a presentation on the Oxyntaka and pointed out in their presentation that it was being utilized in approximately 500 hospitals and clinics throughout SA. Dr Savoi also*



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*briefed us on another product of their company, being a Wataka Water Purification Plant. I have noted that the water purification system (known as the Wataka system) is suitable for rural areas where municipal piped water is not available".*

9.157 *"Rietvlei hospital was just taken over by KZN Department of Health from the Eastern Cape Department of Health. The then HOD was concerned about Rietvlei hospital. The then HOD was very interested in the water purification system. I can recall that there was a problem at Rietvlei iro the quality of the water and the then HOD enquired from me whether the water purification system could be used to resolve the water problem at Rietvlei hospital. I advised the then HOD against it and advised her that the water problem at Rietvlei needed to be addressed by the Department of Water and Land affairs because the water at Rietvlei was a Municipal District problem that also affected the hospital. I pointed out that it would be senseless to purify only the hospital water because the public will still be exposed to the poor quality of the water in the area when discharged from hospital and then end back in hospital".*

9.158 *"I was not involved with the procurement of the installation of the water purification system or part of any discussion iro the procurement process to obtain these services until I had a discussion with Mr Buthelezi, the CFO of the Department in November 2006. He contacted me wherein he confirmed that SCM awarded a contract to Intaka wherein it was agreed that they would supply water purification systems to Rietvlei and Appelsbosch hospitals and that we must issue an order for the required services in addition to the Oxyntaka system. It was despite my advice to the then HOD not to purchase the water purification system and it was during the same period of the installation of the oxygen system at Rietvlei hospital. The project iro the water purification system was new to me and not budgeted for by Infrastructure Development. SCM forwarded an instruction dated 22 November 2006, wherein we were requested to issue an order to Intaka for the installation of the water purification system at Rietvlei and Appelsbosch hospitals".*

B22/1

9.159 *"Mr Roger Burn (Burn) who was employed as a Deputy Manager at Infrastructure Development reported to me and his section was responsible for the issuing of the*

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order and the payment thereof. Hence, his section was instructed to issue an order for the supply of the water purification system. During a meeting he pointed out that the project for the water purification system was completely new to him and was not budgeted for by the Department. I can confirm the contents of the handwritten note that he addressed to me on the Mail Tracking form from SCM wherein he raised his concern that 'these projects are completely new to me and as such are not funded. It is unclear also as to whether the necessary financial approval was obtained. As the Prg 8 budget has been reduced significantly (without consultation), there are no funds to implement'.

B22/4

Burn signed this handwritten entry which is dated 23 November 2006".

9.160 "We will under normal circumstances liaise with the Department of Works in projects of such a nature to ensure that the activities are executed according to plan and will facilitate quality control arrangements. We were not involved with the procurement of these services and I was very concerned about this project because of the following reasons:

- i. The project did not form part of our Infrastructure Development Programme and was therefore not funded;
- ii. It was unclear whether any financial authority had been granted for the expenditure thereof; and
- iii. We as the Infrastructure component were not involved in the procurement of these services and the programme and deliverables were unknown to us and hence I was of the opinion that it could not be adequately monitored or verified by us".

9.161 "During a meeting with Dr A Sewlal and Burn we discussed the project iro the water purification system and the availability of funds. Dr A Sewlal and myself discussed the matter with the then HOD wherein Dr Sewlal obtained authority from the then HOD to incur expenditure in terms of Delegation 0201, a financial authority granted by the then HOD, to the value of R9 960 000 for the purchase of the water purification systems for Rietvlei and Appelsbosch Hospitals. The said authority from the then HOD is dated 29 November 2006".

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- 9.162 *"We issued order number N 0734192 for the installation of the water purification system at Rietvlei and Appelsbosch hospitals on 30 November 2006. Burn and his staff managed the project and ensured that the payments were made to Intaka upon the completion of the delivery and the installation of the two (2) x water purification systems. Technical staff from my Component took control of the installation and commissioning of the installations at both hospitals".* **B1**
- 9.163 *"I have no knowledge of whether the Department and Intaka entered into a Service Level Agreement for the delivery and the installation of the water purification systems at Appelsbosch and Rietvlei hospitals".*
- 9.164 We determined that Burn has since left the Department and is currently resident in Australia. We further determined that Intaka had addressed all four of their invoices to "Harry van der Merwe". Van der Merwe is known as "Gerrie", but Intaka appear to have interpreted this as "Harry"; hence the invoices were intended for van der Merwe, as his office had issued the order. **B1/2,4,6,8**
- Interview with Balindile (also known as Lindie) Xulu**
- 9.165 We conducted an interview with Lindie Xulu (Xulu) employed within Infrastructure and Development as an Administrative Clerk. We obtained an affidavit from her as summarised hereunder (the affidavit also included the procurement of the Oxyntaka): **D2**
- 1) She confirmed compiling the order for the supply of two (2) x Water Purification Systems at Rietvlei and Appelsbosch hospitals in the amount of R9,960,000 in favour of Intaka. **B1/1**
  - 2) SCM was involved with the procurement for these Water Purification Systems and instructed Infrastructure Development to issue the order. She was provided with a letter from the HOD addressed to Dr Sewlal dated 29 November 2009, wherein the HOD authorised the Department to incur expenditure in terms of Delegation 0201 to the value of R9,960,000 for the purchase of the Water Purification Systems for Rietvlei and Appelsbosch hospitals. **B24**
  - 3) She prepared a letter to Intaka dated 30 November 2006, wherein she informed **B26**

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them that the Department had accepted their offer for the supply of the two (2) x Water Purification Systems and provided them with a copy of the said order. This was done under instruction of Burn.

- 4) She was thereafter involved in an administrative function of processing payments to Intaka based on their invoices submitted for payment and the goods/ services certified as being provided by the respective Hospital Managers at Rietvlei and Appelsbosch hospitals.
- 5) She has no knowledge of whether the Department and Intaka entered into a Service Level Agreement in respect of the supply of the Water Purification Systems. Intaka is not known to her personally and she was not at any stage involved with the procurement process for these services. She only became involved with the administration of this project when instructed to compile the orders.

**Interview with Jolene Pandaram (Pandaram)**

9.166 We conducted an interview with Pandaram employed within Infrastructure and Development as a Senior Administrative Clerk and the immediate supervisor of Xulu, who reported to Burn at the time. We obtained an affidavit from her as summarised hereunder:

D3

- 1) She confirmed the involvement of Infrastructure Development in the orders for the water purification systems for Rietvlei and Appelsbosch hospitals, as explained by Xulu.
- 2) She further confirmed a letter was prepared and addressed to Intaka dated 30 November 2006, wherein they informed them that the Department had accepted their offer for the supply of the two (2) x Water Purification Systems and provided them with a copy of the said order.
- 3) Infrastructure Development did not provide technical advice to the Department in respect of this project and was not involved with the procurement thereof. They were only involved with the delivery and the commissioning of the installation of the two (2) x Water Purification Systems at the two hospitals.
- 4) Her primary role was that she checked that the payment amount that was

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B1/1

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captured corresponded with the order amount. She then signed the order for payment. The expenditure was authorised by Burn.

- 5) She was not personally involved with the procurement for these services and has no knowledge of whether the Department and Intaka entered into a Service Level Agreement for the supply of the Water Purification Systems.

**Interview with Natasha Pillay (Pillay)**

9.167

We conducted an interview with Pillay employed within Infrastructure and Development as an Assistant Manager, who reported to Burn at the time. We obtained an affidavit from her as summarised hereunder:

D4

- 1) She confirmed that SCM was involved with the procurement for these Water Purification Systems and instructed Infrastructure Development to issue the order.
- 2) Xulu compiled the order on 30 November 2006. They then prepared a letter to Intaka dated 30 November 2006, wherein they informed Intaka that the Department have accepted their offer for the supply of the two (2) x Water Purification Systems and provided them with a copy of the said order.
- 3) The project did not form part of Infrastructure Development programme and was therefore not funded. They were provided with a letter from the then Head of the Department, Dr Nyembezi, to incur expenditure in terms of Delegation 0201, a financial authority granted by the HOD, to the value of R9,960,000 for the purchase of the two (2) x Water Purification Systems.
- 4) Her primary role was like Pandaram an administrative process; that she checked the invoice amount against the order amount and signed the part payment where applicable. This occurred after Intaka had submitted their invoices for payment and the respective Hospital Managers had certified the invoices for payment.
- 5) She was not personally involved with the procurement for these services and has no knowledge of whether the Department and Intaka entered into a Service Level Agreement for the supply of the Water Purification Systems.

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**Interview with Ms Andile Zondo**

9.168 We previously referred to a reply we had received from Don Miller of Invusa dated 9/10/2009 wherein he stated: *"the person I sent the quote to must have been given to me by the person who originally contacted me. Possibly a person by the name of Andile Zonvo"*. We referred to an official named Andile Zondo (Zondo) employed within Supply Change Management and that she denied ever requesting a quotation from Don Miller or Invusa.

169 We conducted an interview with Zondo and obtained an affidavit from her. In addition to being referred to by Don Miller her name also appeared on documentation handed to us. Zondo is employed at the Departments SCM Component and was a Manager at the time the order was awarded to Intaka for the 2 water purification systems under investigation.

D5

9.170 Detailed below is the content of her affidavit that is important as she distances herself from Don Miller's claim that she initially contacted him.

9.171 *"I can recall that the then Head of the Department, Dr Nyembezi, called for a meeting during the later part of 2006. The HOD discussed a media article that appeared in the Sowetan newspaper about the water conditions at Appelsbosch hospital during this meeting. Other officials who attended this meeting were the following:*

B4

- i. Mr Ntshangase (my Supervisor);
- ii. Mr ASS Buthelezi who was the CFO of the Department during this period; and
- iii. Mrs Nozipho Mthembu who is currently employed as a Manager at the Human Resources Strategic Planning component, but at that time was a Manager Targeted Enterprise Development.

9.172 *"At the said meeting it was clear that the issue of water for Appelsbosch was to be prioritized as it imposed health risks to patients. I was not included in any further discussions hereafter and was not involved with the procurement process. Mr Ntshangase's office was situated in Natalia building in Pietermaritzburg during this period, which was in the same building in which the office of the HOD is situated".*

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- 9.173 "To my knowledge Mr Ntshangase, CFO, HOD, Legal Services and other ManCo members dealt with the procurement of the water for Appelsbosch and Rietvlei Hospitals. I am a Manager for SCM which included Demand and Acquisition Management, I was neither involved nor aware if any of my staff members were involved in the request to service providers to submit quotations for the supply and installation of the two (2) x said Water Purification Systems to the Department. I never phoned any supplier personally and cannot recall that I have ever received any quotation from any supplier for the supply of these services".
- 174 "Mr Ntshangase provided me with an approved submission by the HOD which was granting approval on the following:- (i) exemption from following SCM procedures and procure the service required using the emergency SCM Delegation 701. (ii) to nominate the lowest bidder, namely Intaka Investments at a total cost of R9 960 000.00 to provide the service required. I signed the letter of acceptance to Intaka Investments dated 9 October 2009 in terms of SCM Delegation 119". The said delegation authorises an official with a minimum salary level 11 to sign a letter of acceptance for level 3 bids exceeding R200,000.01, upon finalisation of award. Hence, Zondo was authorised to sign the letter of acceptance addressed to Intaka. B6-B9  
B11  
A9/16
- 9.175 "I was later requested by the CFO to advise Infrastructure Development component to issue an order to Intaka for the required services. The approved submission by the HOD is sufficient authority to issue the order. I then prepared the request to Mr van der Merwe of Infrastructure Development, wherein we requested them to issue an order to Intaka for the supply and installation of the Water Purification Systems for Rietvlei and Appelsbosch hospitals. I enclosed all the relevant documentation to the said letter". B22
- 9.176 "I was not involved with the project other than the correspondence I prepared on the instruction the CFO. I am not aware if Infrastructure Development issued the order as I did not receive any feedback on the matter. Infrastructure Development is the custodian of all our buildings hence they should control the delivery and installation of the Water Purification Systems at both hospitals according to my understanding".

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- 9.177 *"I have no knowledge of whether the Department and Intaka entered into a Service Level Agreement or Purchase and Sale Agreement for the delivery and the installation of the Water Purification Systems at Appelsbosch and Rietvlei hospitals".*

**Interview with Ms Nozipho Mthembu**

- 9.178 We conducted an interview with Nozipho Mthembu (Mthembu) who is currently a Manager in the Departments Human Resources Strategic Planning component. During 2006 (when the order was awarded to Intaka) she was employed at the Departments Central SCM component and was responsible for a division known as Targeted Enterprise Development within SCM. We obtained an affidavit from her that is detailed below, that we deem to be significant as there appeared to be no reason why she would be involved in the procurement process, but she signed a Memorandum titled "Service Level Agreement: Water Purification" addressed to Legal Services dated 12 October 2006. It was further reported to us that she attended a meeting with Legal Services to discuss the Service Level Agreement in question, however she informed us that she does not recall attending such a meeting.

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- 9.179 *"I can recall that the then Head of the Department (HOD), Dr Nyembezi, contacted me during the later part of 2006 and requested me to attend a meeting at her office to discuss a media article that appeared in one of the newspapers which was about the water conditions at Appelsbosch hospital. Other officials who attended this meeting were the following:*
- 1) *Mr ASS Buthelezi who was the CFO of the Department during this period;*
  - 2) *Mr VRM Ntshangase who was the General Manager of Budget and CSCM".*

- 9.180 *"The HOD discussed the newspaper article with the heading "Muddy Water Not On" that appeared in the Sowetan on 22 September 2006 during this meeting. The HOD discussed the nature of the publicity and Mr Ntshangase later became involved with the matter. I was not personally involved with the project". I wish to add that when we initially interviewed Mthembu she informed us that the Dr Nyembezi "instructed*

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*Ntshangase to become the 'champion' for the matter and attend to it as a matter of urgency". When this was included in her affidavit she changed it to read as recorded in the first sentence above.*

9.181 *"It is my understanding that Mr Khanyile, employed as Manager at Environmental Health, was requested by the HOD to investigate the condition of the water at various institutions as a result of the newspaper article that appeared in the Sowetan and was responsible to provide SCM with the specifications for the project. Mr Ntshangase was responsible for the procurement for these services. I was a member of the BID evaluation committee at CSCM during this period being 2006/2007 and cannot recall that I have ever attended a meeting for the award of these Water Purification Systems".*

9.182 *"I can recall that I received a copy of a quotation from Intaka for the supply and installation of a Water Purification System that was addressed to Sam Cheatle of the office of the HOD. I did find it strange that the quotation was sent to the office of the HOD as opposed to CSCM. I was contacted by a representative from Intaka shortly thereafter who requested the fax number of CSCM in order to re-submit their quotation to CSCM. I personally did not request any quotation from any supplier".*

9.183 *"I signed the letter on behalf of Mr Ntshangase that he addressed to Mrs PK Padayachee of Legal Services dated 12 October 2006, wherein Legal Services was requested to draft a Purchase and Sale agreement. I only signed this letter on behalf of Mr Ntshangase. I was not involved with the procurement for these services. I attended a number of meetings within the Department and cannot recall if I attended a meeting with Legal Services to discuss the Purchase and Sale agreement". It appears strange that Mthembu recalled the initial meeting with the Dr Nyembezi, Buthelezi and Ntshangase, but could not recall a meeting with Legal Services to discuss the Service Level Agreement, that was the subject of a memorandum that she was a signatory to.*

**B14**

9.184 *"I have no knowledge of whether the Department and Intaka entered into a Service Level Agreement or Purchase and Sale Agreement for the delivery and the*

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*installation of the Water Purification Systems at Appelsbosch and Rietvlei hospitals".*

**Interview with Ms Samantha Cheatle (also Samantha Foulkes)**

9.185 We conducted an interview with Samantha Cheatle (Cheatle) who is currently employed as a Manager within the Office of the HOD. We obtained an affidavit from her as detailed hereunder that is significant as she alleged everything she was involved in as it relates to the matter was done under instruction of or on behalf of Dr Nyembezi: D7

9.186 "I confirm that I was the personal assistant to the previous HOD Dr BM Nyembezi (Dr Nyembezi) during the period 1 January 2006 to September 2007. Thereafter, I was the personal assistant to the Acting HOD Dr Mbele during the period September 2007 to 31 July 2009. The current HOD is Dr Zungu effective 1 August 2009. Mrs P Nkonyeni (Mrs Nkonyeni) was MEC for the period 2004 to 2009 (I am not certain of the exact dates). The order in question was issued during the period Dr Nyembezi was HOD and the MEC was Mrs P Nkonyeni. During this time there was no Manager within the HOD's office and hence I did the majority of work for the HOD when required, as personal assistant. This included receiving e-mails and faxes on behalf of the HOD".

187 "I confirm that a Memorandum addressed to Dr Nyembezi from Mr VRM Ntshangase, General Manager: Budget and Supply Chain Management, KZN Department of Health, dated 6 October 2006, was received by and approved by Dr Nyembezi". B6

9.188 "I further confirm that three quotations referred to in the above memorandum were addressed to Dr Nyembezi or myself as summarised hereunder:

- 1) Intaka quotation dated 2 October 2006 addressed to the HOD Department of Health, attention Ms Samantha Cheatle, PA to Dr BM Nyembezi, HOD, was sent to me via e-mail by Alicia Marcos, PA to Dr Gaston Savoi, Chairperson of Intaka. The said Alicia Marcos is known to me from the days that Professor Green-Thompson was the Head of Department (prior to Dr Nyembezi). B7



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- 2) *Imvusa Stainless* dated 2 October 2006 addressed to Dr BM Nyembezi, Head of Department, Department of Health, from Don Miller. The said quotation appears to have been faxed to the HOD. I do not know Don Miller and do not recall speaking to him. **B8**
- 3) *Westpro Fluid Handling Systems (Pty) Ltd* dated 29 September 2006 addressed to the Department of Health: KZN, attention Ms Samantha Cheatle from Ron Geddes. The said quotation appears to have been faxed to me. I do not know Ron Geddes and do not recall speaking to him". **B9**
- 189 "I wish to state that at no stage did I request the quotations from the aforementioned companies; this is not my job function and I further have no idea about the specifications or any other part of the quotations".
- 9.190 "I have been shown a letter on a Department of Health letterhead, Central Supply Chain Management, dated 9 October 2006 addressed to Intaka, advising them that the Department has awarded them the quotation in question in the amount of R9,960,000. I confirm the letter appears to have been signed by Dr Nyembezi as her signature is known to me". **B11**
- 9.191 "I have been shown a Memorandum on a Department of Health letterhead, dated 29 November 2006 addressed to Dr C Sewlal from Dr Nyembezi. I confirm compiling this memorandum as my name appears at the top of the document. I confirm the memorandum appears to have been signed by Dr Nyembezi as her signature is known to me". **B24**
- 9.192 "I have been shown a Memorandum on a Department of Health letterhead, dated 29 November 2006 addressed to Mr G Van Der Merwe from Dr Nyembezi. I confirm compiling this memorandum as my name appears at the top of the document. I confirm the memorandum has been signed by me on behalf of Dr Nyembezi. Attached to the said memorandum is a fax and letter from Intaka addressed to Dr Nyembezi dated 28 November 2006. I do not know why Intaka was dealing directly with Dr Nyembezi. It must be noted however, that various service providers do deal with the Head of Department with more serious issues". **B25/1**  
**B25/2-3**

*[Handwritten signature]* *M*

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- 9.193 *"I have been shown a letter on a Department of Health letterhead, dated 22 January 2007 addressed to Dr G Savoi of Intaka from Dr Nyembezi, titled "Appelsbosch Hospital" and discussions between the said two persons. I confirm compiling this letter as my name appears at the top of the document. I confirm the letter appears to have been signed by Dr Nyembezi as her signature is known to me".* **B30**
- 9.194 *"I have been shown a Memorandum on a Department of Health letterhead, dated 10 April 2007 addressed to Mr G Van Der Merwe from Dr Nyembezi. I confirm compiling this memorandum as my name appears at the top of the document. I confirm the memorandum has been signed by me on behalf of Dr Nyembezi. Attached to the said memorandum is a letter from Intaka addressed to Dr Nyembezi dated 23 March 2007".* **B31/8**
- 9.195 Subsequent to our meeting with Cheatle and the obtaining of her affidavit we requested she conduct a search of all her electronic records, as the quotation of Intaka commences as follows: *"Attending to your request of 26<sup>th</sup> September".* We thus wanted her to check whether she typed such a request for Dr Nyembezi dated 26 September 2006. She replied as follows: *"I have done a search under my correspondence that I typed and sent out during September 2006 but found no correspondence relating to this matter. I then did a search under my e-mails sent in 2006 and have found the attached e-mails relating to Intaka and Westpro. I can't find anything I may have sent for Imvuso. Once again, I will reiterate that all correspondence was done on behalf of the HOD and/or on instruction of the HOD".* **D8/1**
- 9.196 She provided us with the following e-mails that are self-explanatory and clearly indicate that Dr Nyembezi and/or Cheatle under instruction from Dr Nyembezi requested the quotations from Intaka and Westpro and that no specifications were provided:
- 1) Samantha Foulkes to Savoi dated 26 September 2006 titled "Quotation: Water Purification System". **D8/2**
  - 2) Samantha Foulkes to Savoi dated 2 October 2006 titled "Installation of Water Purification System". **D8/3**

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- |   |      |
|---|------|
| 3) Samantha Foulkes to Geddes dated 26 September 2006 titled "Quotation: Water Purification System".      | D8/4 |
| 4) Samantha Foulkes to Geddes dated 27 September 2006 titled "Installation of Water Purification System". | D8/5 |
| 5) Samantha Foulkes to Geddes dated 2 October 2006 titled "Installation of Water Purification System".    | D8/6 |

**Interview conducted with Ms Prasheeka Padayachee**

197 We conducted an interview with Ms Prasheeka Padayachee (**Prash Padayachee**), as she was referred to by van der Merwe as one of the other 2 senior managers, who were instructed by Dr Nyembezi to attend a meeting at the offices of Savoi during August 2006. She was at the time employed as the General Manager: Corporate Governance, and Inter- Governmental Relations (IGR) Inter- Sectoral Collaboration (ISC), a position she still occupies. We obtained an affidavit from her that also includes the investigation into another supplier. Detailed below is the section of her affidavit dealing with Intaka:

D9

9.198 "On 3 August 2007 I was part of a delegation of three Senior Managers: comprising myself, Mr VRM Ntshangase and Mr GC van der Merwe, Manager Infrastructure; who undertook a visit to the Western Cape, on the instruction of the HOD. The purpose of the visit was to further explore the "Oxyntaka self- generating oxygen plant" and visit the offices of Dr G Savoi, the CEO of Oxyntaka (at the time I understood the name of the company to be Oxyntaka). Prior to visiting Dr Savoi, the delegation was taken to Somerset Hospital, to view their Oxygen Plant which was procured from Oxyntaka. During the course of visiting Dr Savoi he also informed us of another product of his company, being the "Wataka Water Purification Plant or System". Upon return to office I compiled a report detailing the delegations visit to Somerset Hospital and "Oxyntaka". The report included a brief discussion on the Wataka Water Purification Plant".

D9/48-51

9.199 "I also undertook a prior visit to the Department of Health Northern Cape on 27 July 2006 and visited 2 hospitals in the said province being Manne Dipco Hospital and

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*Kimberley Hospital. Both of these hospitals have the Oxyntaka Oxygen Plant (and not the Water Purification Plant). For ease of reference I attach the report I compiled for the said visit upon return to office".*

D9/52-60

- 9.200 "This was my only contact with Dr Savoi and Oxyntaka (I now understand the company is called Intaka) and the Water Purification Systems. I was not thereafter involved in the procurement process of appointing Intaka to provide the Water Purification Systems to Rietvlei and Appelsbosch Hospitals, and have no knowledge thereof".

**Interview conducted with Ms Kantha Padayachee**

- 9.201 We conducted an interview with Ms Kantha Padayachee (Kantha Padayachee), Manager Legal Services, within the Department, a position she still occupies. Her name was recorded on a number of documents; it was evident she wanted answers on a number of questions reflected in her correspondence; and we also required confirmation as to whether a Service Level Agreement was drafted or not. She provided us with a file containing numerous documentation that has been included in documents discussed and commencing at paragraph 9.037 of this report. She further provided us with an affidavit; detailed below is a summary of same and reference to documentation where relevant.

D11

- 1) Legal Services first became involved in the matter when she received copies of the following documents personally from Ntshangase on 9 November 2006. She assumed Ntshangase wanted Legal Services to draft a contract/ service level agreement between the Department and Intaka based on the available documentation:

- |  |    |
|--|----|
| a) Memorandum dated 14 August 2006.                  | B3 |
| b) Sowetan article dated 22 September 2006.          | B4 |
| c) Memorandum dated 6 October 2006.                  | B6 |
| d) Intaka quotation and e-mail dated 2 October 2006. | B7 |
| e) Invusa quotation dated 2 October 2006.            | B8 |
| f) Westpro quotation dated 29 September 2006.        | B9 |

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- g) Letter of award to Intake dated 9 October 2006. B11
- 2) She responded to this request and receipt of the said documentation, by sending B13  
 a Memorandum to Ntshangase dated 11 October 2006. I have already referred to the content of this document in paragraph 9.061 of this report. Kantha Padayachee confirmed she raised the issues as she had concerns.
- 3) The following day being 12 October 2006, Dr Nyembezi called her and told her that Ntshangase informed her that she (Kantha Padayachee) did not want to do the Service Level Agreement for Intaka. She informed Dr Nyembezi that she had sent a memorandum to him setting out requests. Nozipho Mthembu who at this stage was employed by SCM was requested to bring the file to her. Mthembu arrived at 04:30 pm. Kantha Padayachee and Ms Reka Deonundhan who was employed within Legal Services at the time, went through the file and quotations. She noted they had been requested/ received through Dr Nyembezi's office and thereafter the submission was prepared by Ntshangase. She further noted that there was no proof of registration on the Provincial Suppliers Data base, no specifications document and no uniformity in the quotations. These were the issues that I too was concerned with upon initial examination of the documentation. She provided us with a copy of a handwritten note reflecting the meeting had taken place, however as early referred to by me, Mthembu did not recall such a meeting. Deonundhan also had no recollection of this meeting when we questioned her. She is currently employed within SCM, Deputy Manager Policy and Systems Development. She added that the three of them also discussed at length the issues in respect of the water purification unit including: whether it was to be a purchase and sale agreement; and Mthembu advised Deonundhan that the Hospital Manager would be responsible for monitoring. D11/39
- 4) On the same day at 05:10 pm (after the meeting above) she received a reply by hand from Ntshangase in the form of a Memorandum dated 12 October 2006, titled: "*Service Level Agreement: Water Purification*", enclosing a letter on an Intaka letterhead dated 10 October 2006. He concludes that Intaka will be waiting for the official order from the COO to start pertinent procedures. The said letter appears to have been faxed to Ntshangase (033-3943324) on 11 October 2006 by Intaka. The said reply from Ntshangase did not fulfil the requirements that had to be complied with prior to the compilation of a Service Level Agreement.

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- 5) Her response was a further Memorandum to Ntshangase dated 13 October 2006. B15

It is evident that she still had concerns and required clarity despite Ntshangase's reply dated 12 October 2006. She concluded as follows: *"Kindly assist our offices urgently as we would need to give input to the Head of Department, who has requested that this matter be attended to urgently"*, hence Dr Nyembezi had requested they urgently finalise the matter.

- 6) Dr Nyembezi called her on the same day (13 October 2006) and left a message for her to call her urgently. She spoke to Dr Nyembezi and raised her concerns and the process to be followed. Dr Nyembezi told her that she would get Savoi to phone her and discuss the matter. She was instructed by Dr Nyembezi to finalise the contract *"today"*. She duly liaised with Savoi and following this prepared a further Memorandum to Ntshangase dated 17 October 2006. I have already referred to the contents of this document in paragraph 9.066 of this report and that it was faxed to Dr Nyembezi on 18 October 2006 by Ntshangase. As previously stated Kantha Padayachee was ensuring there was a record of who initiated and drove the process. B16

- 7) On 18 October 2006, both Ntshangase and Kantha Padayachee were called to a meeting with the CFO, who advised that he had been instructed by the HOD to find a way forward in respect of challenges to finalise an agreement/ contract.

She reiterated that Legal Services was not given the relevant information to draft an agreement despite the information given by Savoi. She also advised the meeting that Ntshangase was responsible internally for due procedure and that if he did not deem it necessary to reply to the concerns raised by Legal Services, he ought to indicate so especially as the Auditor General had been copied on all correspondences.

- 8) On 19 October 2006 she was then called into Dr Nyembezi's office with Ntshangase. She had not received a reply from Ntshangase in response to her latest memorandum dated 17 October 2006. It was evident that Ntshangase had now taken the matter up with Dr Nyembezi. Dr Nyembezi told her that she was not happy with the tone of her memorandums and why can't she use the telephone. She added that procurement processes are hindering service delivery and whilst they should not flout rules and regulations they needed to be flexible. Dr Nyembezi added that she appreciated legal prescripts but that Kantha



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Padayachee was hindering process. Savoi was then contacted telephonically and was put on speaker phone. The Service Level Agreement was discussed.

Subsequent thereto she had further conversation with Dr Nyembezi where she reiterated she has to comment on her observations and that she did not stop the process. The meeting was concluded by Dr Nyembezi informing her that she should not put these things in writing, but "talk we have cell phones". Personally, she deemed it necessary to document all correspondence as the Auditor General had been copied on certain documents, and it was imperative that they were following policy and procedures.

- 9) Legal Services then prepared a draft Service Level Agreement and retained a copy that has not been signed or dated. The agreement refers to the supply of two x Wataka HWT-1-25 transportable water purification units to Rietvlei and Appelsbosch hospitals in the amount of R4,980,000 per unit including vat. The "Ingredients" and the "BEE partner" were excluded from the said agreement. She has no knowledge of whether this draft agreement was ever signed and has further not been provided with a signed version. B17
- 10) She attached her personal notes of the meeting with Mthembu and Deonundhan; and her telephonic and face-to-face discussions with Dr Nyembezi and Ntshangase (refer to annexures PKP15 and PKP16 of her affidavit), that supports the contents of her affidavit in the absence of official correspondence.

**Policy for the Drafting of Contracts/ Agreements signed by the HOD on 18 July 2008**

- 9.202 Kantha Padayachee also provided us with the said policy document dated 2008. She informed us that the policy prior to this and in effect at October 2006 was not too dissimilar to the 2008 policy, but did not have a copy of same. I briefly refer to the said policy and specifically to section 4: *Summary of Procedures*. D10

*4.1 The need for the Department to enter into all Contract/ Service Level Agreements should be identified in accordance with the Departmental Strategic and Plan within the Department's financial resources.*

*4.2 Prior to any contract being drafted by Legal Services, the project/ service*

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*required must be approved in principle by the Head of Department. In this regard a submission must be prepared and submitted by the responsible person to the Head of Department, according to the following format:*

❖ **Purpose**

- 9.203 *It must be stated that the purpose is to request approval in principle of the intended service that is to be procured. The purpose for procuring the service must be fully explained.*

❖ **Motivation**

- 9.204 *Under this heading the type of contract to be drafted must be mentioned and the reasons for the intended service must be detailed, taking into account the advantages of such service, target areas and groups and the effect such service will have in terms of its outcome on the Department. At this stage all the necessary investigations should have been concluded with respect to the needs for the services. The motivation must include value add for the Department and must detail a transfer of skill to the Department officials where applicable (especially in requests for consultancy contracts).*

❖ **Financial Implications**

- 9.205 *Based on the cost estimates that would have been obtained during the research stage, the financial implications must be included here. The Submission must be accompanied by a separate written confirmation from the CFO/ Finance Manager in respect of the availability of funds for the duration of the contract.*

❖ **Compliance with Procurement Processes**

- 9.206 *The submission must detail all procurement processes followed in procuring the service in line with SCM prescripts and must be accompanied by written confirmation from the responsible procurement officer that all procurement processes have been*

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*complied with.*

❖ **Recommendation/ Request**

9.207 *The recommendation/ request must be clearly stated under this heading.*

9.208 Based on my analysis of the documentation and notes retained by Kantha Padayachee is it evident that Ntshangase did not respond appropriately to Legal Services' concerns and was unable to provide evidence that policy had been complied with. Further, Dr Nyembezi was actively involved in the process so much so that she got Savoi to talk to Legal Services. There is no reasonable explanation as to why Dr Nyembezi was against things being put in writing, as opposed to using telephones and cell phones, other than she did not want a record of issues raised and who should be held accountable. Furthermore, Dr Nyembezi was dealing directly with Savoi as correspondence and telephone calls are between the two of them, and there is little evidence of third party involvement.

**Interview with Ntshangase**

9.209 We interviewed Ntshangase and he informed us that he did not wish to discuss the Intaka matter as it was *sub-judicia*, due to the criminal matter involving Intaka and the procurement of an ultra sound scanner, where the State allegedly withdrew the charges provisionally in order to add another 3 accused. However, he did inform us that he did not request the quotations, despite him stating this was the case in his submission to Dr Nyembezi on 6 October 2006. He alleged he was "forced" to sign the document. He further referred us to a report compiled by Strauss Daly Inc appointed by the Office of the Premier, where he explained the quotations and his signature on the document confirming he had requested the quotations. I have not had access to the said report.

B6

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**Interview with Buthelezi**

9.210 We first interviewed Buthelezi on 8 July 2009 when we initially started the investigation at which point we had no supporting documentation. At the said meeting he informed us as follows:

- 1) He recalled Dr Nyembezi, Professor Green- Thompson, ex- HOD, and Mr Sipho Shabalala (**Sipho Shabalala**), Head of Provincial Treasury at the time, went to Brazil, and this was the start of the Departments relationship with Intaka, pre-January 2006.
- 2) The water purification systems in question started after the Environmental Health Unit issued a report on the quality of water.
- 3) He was called to Dr Nyembezi's office where she discussed the said report on "dirty water".
- 4) Dr Nyembezi wanted to engage a service provider without going out to tender- this discussion first occurred on a Friday.
- 5) However, on the following Monday Dr Nyembezi informed him that she had discussed the matter with Sipho Shabalala and decided not to go out to tender.
- 6) He also referred to an affidavit that the "Scorpions" had; that Shabalala had received monies- he also thinks Du Plooy (Superintendent Du Plooy) was mentioned.

9.211 Buthelezi informed us at our subsequent interview with him on 19/10/2009, after we had obtained all relevant documentation, that it was his understanding that Ntshangase obtained the quotations and it was SCM's responsibility to ensure the prices were reasonable and market related. He merely recommended the order be awarded to Intaka, based on the Memorandum prepared by Ntshangase.

9.212 However, it is a requirement of Delegation 701 that "bids (quotations) may only be called for, based on a requisition approved within the applicable financial delegations". Further, it is a requirement of Delegation 701 that "contracts for offers from the threshold of R200,000 will only be awarded to bids/quotations that are accompanied by a valid tax clearance certificate. There is no evidence that these

**A9/23**

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requirements were complied with; we determined that the Infrastructure Development Component was instructed to issue the order by SCM based on a discussion between the CFO and van der Merwe on 22 November 2006, referred to in a memorandum sent by SCM to van der Merwe on the same day, at which point there were no funds for this project. Hence, at the time that the CFO recommended Intaka be appointed on 6 October 2006 relevant financial delegations had not been complied with as there was no budget for the project. It would have been expected of the CFO to ensure there were funds for the project prior to recommending the appointment of Intaka on 6 October 2006, who was then advised on 9 October 2006 that they had been awarded the order in the amount of R9,960,000.

B22/1

B6

9.213 In addition the policy in respect of the drafting of contracts requires the following in respect of *"Cost Implications"* be included in the submission to the HOD: *"Based on the cost estimates that would have been obtained during the research stage, the financial implications must be included here. The Submission must be accompanied by a separate written confirmation from the CFO/ Finance Manager in respect of the availability of funds for the duration of the contract"*. Hence, Buthelezi had not complied with the said policy as at 6 October 2006.

D10/4

9.214 Buthelezi was interviewed by the investigating officer, where I was present on 27 January 2010. A Constitutional Warning Statement was obtained by the investigating officer. I wish to briefly refer to specific parts thereof where he confirmed what he had told us on a previous interview and added additional information:

D12

- 1) *"I, as part of a team from KZN, also visited a hospital in Kimberley to observe a "water purification plant" that was installed by Intaka.*
- 2) *Dr Nyembezi wanted to appoint a service provider without following the tender procedures. I would have preferred that this procurement was done by way of tender and informed Dr Nyembezi accordingly during a meeting on a Friday. The following Monday Dr Nyembezi informed me that she obtained advice from the then Head of Treasury, whom I understood to be Mr Sipho Shabalala, and was going to authorise the procurement in terms of Supply Chain Management Interim Delegation 701 i.e. without going to tender.*

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- 3) *The first time Mr Ntshangase (General Manager: Budget and Supply Chain Management) approach me for my signature on the document referred to as memo 313, I told him I first wanted to look at the contents of the document and would deal with it later. At that stage I did not feel comfortable with the situation.* B6
- 4) *The same day he came back and informed me that I must not ask questions as the HOD (Dr Nyembezi) wanted this document signed like yesterday. He informed me that he went to Dr Nyembezi and she told him I must sign the document now.*
- 5) *At the time I felt threatened by what Ntshangase said. It is generally known that I do not sign procurement documents easily. People therefore don't like me. I was however aware of the consequences and knew I could be fired if I did not do as Dr Nyembezi instructed as this could be seen as insubordination. I also did not have a good relationship with her at the time because I had previously queried procurement documents before signing them.*
- 6) *I signed the document and gave it back to Ntshangase. There were 3 quotations attached to this memo that were addressed to Dr Nyembezi or her personal assistant Samantha Cheatle. There was no "ManCo Resolution" attached to these documents.*
- 7) *I would like to add that I received a memo to attend a meeting with Dr Nyembezi on the 5th of October 2006. A copy of this memo is attached to my statement. On the 5th of October 2006 I attend this meeting. I and my staff, as per the memo received written warnings because we had not yet finalised the procurement for the water purification plants for Appelsbosch and Rietvlei Hospitals. We had to explain the delay. Dr Nyembezi only got involved in these issues if her office was directly involved. She generally did not get involved in normal procurement issues.*
- 8) *I was also aware that the quotes did not come from Mr Ntshangase. They came from the office of the HOD Dr Nyembezi.*
- 9) *I signed the document as I knew Dr Nyembezi approved it in principal and had informed me accordingly. I believe that signing this document was a formality as Dr Nyembezi had already decided that she was going to authorise this purchase and not go out to tender as I had recommended. I did not source any quotations for this procurement".*
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**Affidavit of Gaston Savoi**

9.215 Following the issuing of our report dated 30 November 2009 and the extension of our appointment by the Department on 9 February 2010, I was handed a copy of an affidavit of Gaston Savoi by the SAPS. The said affidavit purports to have been signed by Savoi on 14 July 2008. I refer to this affidavit and particularly that part relevant to the 2 x Water Purification Systems for Rietvlei and Appelsbosch Hospitals.

E1

- 1) In paragraph 5 he states as follows: *"I have been advised that the issues that have been raised and with which I should deal in this affidavit are, firstly, a certain donation that was paid by Intaka in February 2007 and, secondly, two commission payments paid by Intaka to Rowmoor Investments 738 (Pty) Ltd ("Rowmoor") in August 2007. I shall now deal with each of these issues".*
- 2) In paragraph 10 and 11 he details the background into how he was introduced to the KZN Provincial Government (KZNPG) by Mr Rafiq Bagus, Special Advisor to the Minister of Trade and Industry. He states that he made contact with relevant persons at the KZNPG and made various presentations to them. In paragraph 12 he states: *"from information provided to Intaka by TIKZN and KZNPG and from information that my company obtained independently, I became aware that KZN was facing- as it continues to do- formidable challenges in relation to the provision of potable drinking water".* I wish to emphasise the word *"independently"* and that there is no mention or reference to any consultant involved in respect of the discussions between Intaka and KZNPG and information obtained.
- 3) In paragraph 15 and 16 he refers to a fact-finding visit to South America for a delegation from KZN that included water purification plants and whether they might indeed prove useful in KZN, *"at Intaka's cost"*. Once more there is no reference to a consultant or *"middle-man"*. Hence, Intaka was funding the delegation and was dealing directly with KZNPG officials. Savoi added: *"the discussions and actions thus far were entirely in accordance with my experience*

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*of international business".*

- 4) In paragraph 17 he refers to the return to South Africa and that *"the KZNPG indicated that it was interested in pursuing both the issue of self- generating oxygen equipment as also the water purification plants, the key persons in the process of further discussions being Mr Shabalala and Professor Green Thompson".* Hence, Professor Green- Thompson, the HOD, KZN Department of Health at the time was interested in the water purification plants and Intaka was dealing directly with him.
- 5) He then details the events surrounding the purchase of 20 Wataka units (water purification plants) by the KZNPG, Department of Local Government and Traditional Affairs. I will not discuss this at this point as it did not form part of our mandate at the time we were conducting this investigation.
- 6) In paragraph 36 he commences with commission paid to Rowmoor. In paragraph 37 he refers to Mr Lindelihle Mkhwanazi *"with whom we had come into contact during our discussions with various role- players in KZN, approached us expressing an interest in marketing our products in KZN. He indicated that he was already supplying stationery and other products to KZNPG departments and we therefore thought that there would be no harm in giving him an opportunity to market ours as well".*
- 7) In paragraph 38 and 39 he refers to a *"standard agency agreement"* between Rowmoor and Intaka Tech and that training was provided to Mkhwanazi. He then states that *"Although Mr Mkhwanazi has yet to sign the agreement concerned, he has in the interim sold two water purification plants to hospitals in KZN, these being at Rietvlei and Appelsbosch (Greytown) and, on that basis, in August 2007, we paid him the commissions to which he would have been entitled in terms of the agreement had it already been signed. This appears to me to be a fair way of doing business with him".* In paragraph 40 he refers to Rowmoor being indebted to another of his companies: Intaka Nutri (Pty) Ltd in the amount of R746,317.80, and that the "commission" that was owed to Rowmoor for the sale of the two

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water purification plants was payable by Intaka Tech (Pty) Ltd, and as a result the two amounts could not be off-set against each other

- 9.216 I wish to briefly comment on Savoi's explanation regarding the Mkhwanazi and/or Rowmoor's role in the sale of the 2 water purification systems to Rietvlei and Appelsbosch Hospitals and how it conflicts with his own version; all documentary evidence reviewed by us and interviews conducted by us with the officials from the Department involved in the procurement procedure:
- 1) Intaka was introduced to KZNPG by Bagus and Intaka sourced information independently.
  - 2) Intaka paid for a fact- finding mission to South America that included Professor Green- Thompson, HOD, KZN Department of Health at the time. The mission included reviewing the suitability of the water purification plants for KZN.
  - 3) A delegation of the Department of Health also visited the Western Cape, Northern Cape and Intaka, where they met Savoi, for purposes of looking at the water purification plants and self- generating Oxygen plants. There is no evidence that Mkhwanazi or Rowmoor was part of this delegation or that they acted as an agent for Intaka in this process.
  - 4) The documentary evidence in possession of the Department reflects that Department dealt directly with Intaka in respect of the procurement of the 2 water purification systems in question. Their quotation was sent directly to Dr Nyembezi and not via an agent.
  - 5) There is not a single bit of evidence from the Department's records of Mkhwanazi and/or Rowmoor being involved in the "sale" thereof, and no official ever indicated that there was a third party involved.
  - 6) Neither Don Miller of Invusa or Ron Geddes of Westpro who provided the so called "competitive quotes" mentioned Mkhwanazi and/or Rowmoor; they alleged they were contacted by a Department official.
  - 7) Intaka already had a "foot- hold" in KZNPG by providing 20 water purification plants to the KZN Department of LG and TA, following their funding of a fact findings mission to South America and a delegation from the KZN Department of Health visiting Intaka and being introduced to Savoi. Despite this Savoi saw "no

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*harm*" with giving Mkhwanazi the opportunity to market Intaka's product. This does not make business sense, as Intaka had done all the ground work and incurred time and expenses. There would be absolutely no reason to engage an agent and no reasonable business would do so.

- 8) The standard agency agreement was never signed by Rowmoor/ Mkhwanazi and there is no documentary or other evidence (apart from Savoi alleging same) that Mkhwanazi sold the 2 water purification plants to the Department of Health. In addition and despite the fact that Rowmoor was indebted to another of Savoi's businesses, Savoi paid Mkhwanazi his commission as *"this appears to me a fair way of doing business with him"*. Once more this does not make sound business sense and consequently Savoi's explanation should be rejected. I wish to mention that Savoi at no stage referred to the amount of "commission" paid and how this was determined. I shall elaborate on this later in this report.

**Documents seized by the SAPS from Intaka**

9.217 I reviewed the documentation and electronic records seized by the SAPS from Intaka. The documents discussed hereunder are relevant to the 2 x Water Purification Systems for Rietvlei and Appelsbosch Hospitals.

9.218 I identified the following documents relating specifically to the quotations:

- 1) A printout of an e-mail of Ashleigh Spencer from [Info@intaka.com](mailto:Info@intaka.com) sent on 2 October 2006 at 16:00, to [rgeddes@westpropumps.co.za](mailto:rgeddes@westpropumps.co.za), titled "WATER PURIFICATION PLANTS". The body of the e-mail reads as follows: *Dear Mr Geddes please find the attached letter, with the amendment concerning the spelling of the name kind regards Fernando Praderi*". Attached thereto is a letter dated 29/09/2006 addressed to the Department of Health: KZN, att: Ms Samantha Cheatle, titled ***Re: Water Purification Plants***". This would indicate that Intaka prepared a letter on a blank letterhead and sent it to Ron Geddes at Westpro. I have examined this document and compared it to the "competitive quotation" sent by Ron Geddes to Samantha Cheatle of the Department of Health on 3 October 2006 at 14:44 in terms of the fax print on the top and bottom of the

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pages, already discussed in this report. The said letter is identical in all respects to the quotation apart from the quotation being on a Westpro letterhead and the spelling of the surname as "Geddis" on the letter sent by Intaka. Hence, this supports my earlier view that Westpro and/or Ron Geddes and Intaka colluded in the preparation of a fraudulent quotation.

- 2) A printout of an e-mail of Ashleigh Spencer from [info@intaka.com](mailto:info@intaka.com) sent on 2 October 2006 at 15:53, to [millers@xsinet.co.za](mailto:millers@xsinet.co.za), titled "REQUEST FOR QUOTATION KZN". The body of the e-mail reads as follows: *Dear Mr Miller please find the attached letter kind regards Fernando Prader*. Attached thereto is a letter dated "2006 2<sup>nd</sup> October" addressed to Dr BM Nyembezi Head of Department, Department of Health: KZN, titled "**Request for Quotation: Water Purification Systems for Appelsbosch and Rietvlei Hospitals**". This would indicate that Intaka prepared a letter on a blank letterhead and sent it to Don Miller. I have examined this document and compared it to the "competitive quotation" sent by Don Miller to Dr Nyembezi on 2 October 2006 at 17:10 in terms of the fax print on the top of the pages, already discussed in this report. The said letter is identical in all respects to the quotation apart from the quotation being on an Imvusa letterhead and the footer being included on quotation. This includes the date being presented in a rather unusual way. Hence, this supports my earlier view that Imvusa and/or Don Miller and Intaka colluded in the preparation of a fraudulent quotation.

E3

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- 9.219 On 17 February 2010 whilst in Cape Town reviewing the documents seized by the SAPS, I accompanied the investigating officer to Westpro where he conducted an interview with Ron Geddes. The latter continued to deny any wrongdoing. He confirmed his earlier explanations given to us, already discussed in this report and added additional information. Of significance is that he still maintained that he was contacted by a lady whose name he did not remember. He did not know where they got Westpro's name from. The specifications were for a 45 to 50 cubic meter per hour water treatment plant. He requested a quote from Grotto for this plant and that quote was used to prepare Westpro's quote dated 29/09/2006. He could not explain why the Grotto quote is dated 26/10/2006, i.e. after his own quote, but assumed it

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must have been incorrectly dated by them. Upon receipt of the Grotto quote he prepared the quote dated 29/09/2006 and submitted it to the Department of Health. He received a call a day later requesting him to resubmit it to a different person on 3/10/2006.

- 9.220 Geddes was asked whether he received any assistance from Intaka in the preparation of his Westpro quotation dated 29/09/2006. He replied: *"I can categorically state no"*. He was further asked whether he knew Ansano Romani who allegedly sent him the Grotto quote dated 26/10/2006. He replied as follows: *"Yes, we are in the same industry. We socialise together but we are not house friends"*. He added that they play golf together. At the conclusion of the interview he was asked whether he knew Mr Fernando Praderi of Intaka (the person from Intaka who had sent him the quotation for submission to the Department on 2 October 2006). He denied any knowledge of Fernando Praderi and claimed only to have heard of Savoi.
- 9.221 We also had visited Rietvlei and Appelsbosch hospitals and obtained photographs and specifications of the water purifications systems supplied by Intaka. These plants appeared similar to that described to us by Grotto. We sent the photographs to Grotto in order to determine whether these are Grotto's plants that they supplied to Intaka. Grotto informed us that they cannot make a 100% identification, however the plants are otherwise identical to what Grotto supplied to Intaka. Grotto concluded that the plants cost between R412,000 and R475,000, as previously reported above, and an additional amount of approximately R250,000 for transport and commissioning. Hence, Grotto's price for one water purification plant would have been a maximum of R725,000. Intaka charged the Department R4,980,000 per plant. Hence, an overpayment and prejudice to the Department of R8,510,000.
- 9.222 Similar products were purchased by the Department of Local Government and Traditional Affairs from Intaka for approximately half the price paid by the Department of Health, during the same period. (5 June 2006, 20 plants at R44,563,636.49 or R2,228,181.82 per plant, and on 17 November 2006, R5,617,919.40 for transport, delivery, site preparation, installation and commissioning of 20 plants or R280,895.97 per plant, i.e. R2,509,077.79 per plant inclusive of all costs).

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9.223 I identified the following documents relating specifically to the price of the Wataka 25, being the 2 water purification plants commissioned by Intaka at Rietvlei and Appelsbosch Hospitals:

- 1) A document titled: "Intakatech Water & Gas Water Purification Plant Cost Price List 2007" dated 14 August 2007. The cost price of the Wataka Model 025 is listed as R783,100 inclusive of all costs including: complete unit R497,600; Freight R95,000; Concrete Slab R77,000; Installation: R85,000; and Commissioning and Chemicals R28,000. The said price list, based on the stamp thereon was approved by "Dr Gaston Savoi" and also contains what appears to be the name "F Prader". This is approximately 10 months after Intaka provided the Department with a quotation of R4,980,000 for the same plant on 2 October 2006 and for which they invoiced the Department and were paid R9,960,000 for 2 plants. E4  
B7  
B1
- 2) A document on a letter from Loftus Neethling to Dr Gaston Savoi dated 31 August 2006 titled: "Prices and terms on building the Wataka 050 complete with automation". In terms thereof the selling price of the Wataka 50, that is bigger than the Wataka 25, is R531,341.53 excluding VAT. E5
- 3) An Intaka Tech Purchase Order number 32380 issued to Imvusa Trading 1319cc dated 2 June 2008. In terms thereof Intaka ordered 18 x water treatment plants 050 in the amount of R730,000 each excluding VAT. Hence, Intaka's own records support my earlier findings that the Department paid grossly inflated prices for the 2 x Wataka 25 water purification plants. It is further my submission that this was only achieved as a result of the collusion between Intaka, Westpro and Imvusa representatives in the preparation of fraudulent quotations. E6

9.224 I identified the following documents relating to "commission" paid to Rowmoor by Intaka referred to in the affidavit of Savoi:

- 1) A handwritten Rowmoor Investments (Pty) Ltd tax invoice number 06 dated 24 August 2007. It is addressed to Intakatech and refers to "commission for" E1  
E7/1

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marketing and sale of water purification plant at Rietvlei Hospital" in the amount of R500,000. Rowmoor's bank details are recorded as FNB, cheque account no: 62139684402 and branch code: 220226.

- |   |      |
|---|------|
| 2) A Rowmoor Investments 738 (Pty) Ltd tax invoice dated 24 August 2007. It is addressed to Intakatech and refers to "commission for marketing sale of water purification plant at Rietvlei Hospital" in the amount of R500,000. Rowmoor's bank details are recorded as FNB, cheque account no: 62139684402 and branch code: 220226. It is stamped "paid" and endorsed "to replace original invoice #06 paid, VAT number now included". | E7/2 |
| 3) An Intaka Tech (Pty) Ltd remittance advice dated 31 August 2007 reflecting a payment in the amount of R500,000 via EFT to Rowmoor Investments.   | E7/3 |
| 4) Corporate cheque account number 62106988150 reflecting a payment of R500,000 to Rowmoor Investments on 30 August (2007).   | E7/4 |
| 5) A handwritten Rowmoor Investments (Pty) Ltd tax invoice number 07 dated 20 August 2007. It is addressed to Intakatech and refers to "commission for marketing and sale of water purification plant at Appelsbosch Hospital" in the amount of R500,000. Rowmoor's bank details are recorded as FNB, cheque account no: 62139684402 and branch code: 220226.   | E7/5 |
| 6) A Rowmoor Investments 738 (Pty) Ltd tax invoice dated 20 August 2007. It is addressed to Intakatech and refers to "commission for marketing sale of water purification plant at Rietvlei Hospital" in the amount of R500,000. Rowmoor's bank details are recorded as FNB, cheque account no: 62139684402 and branch code: 220226. It is stamped "approved Dr Gaston Savoi".  | E7/6 |
| 7) An Intaka Tech (Pty) Ltd remittance advice dated 21 November 2007 reflecting a payment in the amount of R500,000 via EFT to Rowmoor Investments.   | E7/7 |
| 8) Corporate cheque account number 62106988150 reflecting a payment of R500,000 to Rowmoor Investments on 23 November (2007).   | E7/8 |

9.225 Thus, Savoi paid Rowmoor Investments R1 million for "marketing and sale of water purifications plants at Rietvlei and Appelsbosch Hospitals". There is no evidence that Rowmoor Investments and/or Mkhwanazi performed any sale or marketing for the 2 x water purification plants under investigation. It has been reported to me that Mkhwanazi was the "boyfriend" of the Ms Nkonyeni, the MEC at the KZN Department



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of Health at the time.

**Rowmoor Investments 738 (Pty) Ltd**

- 9.226 We performed a Kreditinform search report for Rowmoor Investments 738 (Pty) Ltd (Rowmoor). The said entity was registered on 26 March 2007 with registration number 2007/009358/07. The sole active principal is Lindelihle Henry Mkhwanazi, identity number 701027 5432 088 appointed on 4 May 2007. E8
- 227 Savoi alleged in paragraph 38 of his affidavit referred to a "standard agency agreement" between Rowmoor, previously in paragraph 5 of his affidavit referred to by him as "Rowmoor Investments 738 (Pty) :Ltd, and Intaka Tech, prepared by Intaka's Legal Department. He added that although Mkhwanazi has yet to sign the agreement concerned, he has in the interim sold two water purification plants to hospitals in KZN, being at Rietvlei and Appelsbosch (Greytown) and, on that basis, in August 2007, we paid him the commissions to which he would have been entitled in terms of the agreement had it already been signed. E1
- 9.228 However, the actual "sale" took place on 2 October 2006 when Intaka submitted their "quotation" to the Dr Nyembezi and they subsequently advised on 9 October 2006 that they had been awarded the order in the amount of R9,960,000. Hence, it stands to reason that the "marketing" took place prior to the "sale". Rowmoor Investments 738 (Pty) Ltd was only registered on 26 March 2007 and Mkhwanazi was appointed on 4 May 2007. Hence, the "standard agency agreement" referred to by Savoi with the said Rowmoor Investments 738 (Pty) Ltd, could not have been prepared in October 2006, as the said entity did not exist and was not registered in October 2006 or at any stage prior to 26 March 2007. B7  
B11

**Electronic records recovered from Intaka**

- 9.229 I was further provided with the electronic records recovered by the SAPS from Intaka. I identified a number of documents, messages and e-mails that further supports my findings of collusion in the submission of "competitive" quotations and the personal

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relationship between Dr Nyembezi and Savoi, to the detriment of the Department and the role (or absence thereof) of Rowmoor Investments and/or Mkhwanazi. The said documentation is self-explanatory, however I will briefly refer to those that are significant:

- 1) A letter from Savoi to the MEC Peggy Nkonyeni dated 31 March 2005. This followed an introductory meeting with Savoi, the MEC, Siphso Gcabashe and Siphso Shabalala on 30 March (2005). F1/1-2
- 2) An e-mail from Samantha Foulkes official KZN e-mail address (she was Dr Nyembezi's personal assistant at the time) to Intaka dated 1 August 2006, with regard to flights for Prash Padayachee, van Der Merwe and Ntshangase. F1/3
- 3) An e-mail from Savoi to Alexandre dated 3 August 2006. He attached the business card of Dr Nyembezi but requested he send the requested documents to Dr Nyembezi's personal e-mail address: [busisiwen@mweb.co.za](mailto:busisiwen@mweb.co.za). Her business card contains the official e-mail address of Samantha Foulkes. F1/4-5
- 4) An e-mail from Savoi to Dr Nyembezi "personal" dated 16 August 2006 titled "specifications Wataka 050 WTH". He commences "Dear amiga" and attached the specifications and patent certificate of the Wataka. I understand that "amiga" means female friend. F1/6-7
- 5) An e-mail from Savoi to Dr Nyembezi "personal" dated 8 September 2006 titled "Advantages and benefits of Watakas". He commences "Dear amiga". F1/8
- 6) An e-mail from Savoi to Dr Nyembezi "personal" dated 25 September 2006 titled "various". He commences "Dear amiga". He further states "As agreed upon, please note as follows: F1/9-10
  - 1 Water purification system:  
herewith the name of the companies:  
Westpro. Mr Ron Geddes, tel: 021- 930 1402, fax: 021- 939 3512, e-mail: [wespro@mweb.co.za](mailto:wespro@mweb.co.za), address: Unit 9, Kilpatric building, Huguenot street, Parow, 7500.  
Imvusa Stainless. Mr Don Miller, tel: 021- 905 5324, fax: 021- 905 1771, e-mail: [millers@xsinet.co.za](mailto:millers@xsinet.co.za), address: PO Box 156, Blackheath, 7561.  
And ourselves, Intaka Investments for the patented equipment Wataka.  
Do not hesitate to contact me.

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*Please bear in mind that we have Watakas model HWT ready for delivery just in time". I will refer to the remainder of this e-mail when discussing the Oxyntaka plants later in this report.*

- 7) An e-mail from Samantha Foulkes official KZN e- mail address to Savoi dated 26 September 2006 titled "*Quotation: water purification system*". The content is self-explanatory. F1/11
- 8) An e-mail from Savoi to Dr Nyembezi "personal" dated 29 September 2006. He commences "*Amiga*" and "*Buenos días*" that I understand is a greeting meaning "good day", "*regarding the additional hospital, which will be the procedure, when we can expect the order? This is to program our production*". F1/12
- 9) An e-mail from Samantha Foulkes official KZN e- mail address to Savoi dated 2 October 2006 titled "*Installation of water purification system*". The content is self-explanatory. F1/13
- 10) An e-mail from Savoi to Dr Nyembezi "personal" dated 2 October 2006 titled "*Quotation: water purification system- Appelsbosch & Rietvlei*". The content is self-explanatory as it relates to their quotation in the amount of R4,980,000 including VAT. The quotation is repeated in an evenly dated letter addressed to Dr Nyembezi via Samantha Cheattle F1/14-15
- 11) A File Note being an sms from Savoi to Dr Nyembezi dated 4 October 2006. He refers to a projection of around 50 to 55 Watakas. F1/16-17
- 12) An e-mail from Savoi to Dr Nyembezi "personal" dated 16 November 2006 titled "*FW: Letter to Dr Nyembezi re Rietvlei and Appelsbosch Hospitals*". The content is "*As you can see a lot of bla, bla, and not progress from their side. On top of that, I see that they are copying the famous Westwood. Just give me your guidance how to proceed, once we are trying to avoid the hospital to appear again on the newspaper as last time*". F1/18
- 13) A document dated 10 July 2007 being a "Confidentiality Agreement" between Intaka Tech (Pty) Ltd and Rowmoor Investments 738 (Pty) Ltd. This document although unsigned (as confirmed by Savoi) is consistent with Rowmoor Investments only being registered on 26 March 2007 and could not have provided marketing and/or sales that took place in October 2006. In addition none of Intaka's electronic records contain any evidence that Rowmoor Investments and/or Mkhwanazi provided these services. I located 4 quotations all dated 3 F1/19-20

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September 2007 addressed to Mr Linda Mkhwanazi, Rowmoor Investments 738 (Pty) Ltd. There is no evidence of any quotation being provided for the 2 Water Purification Systems for which Intaka paid a commission of R1,000,000.

F1/29-32

**Bank accounts subpoenaed by the SAPS**

- 9.230 At the time of issuing this report this information was not available and an addendum will be issued should the bank account once received contain relevant information.



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**Summary of Findings**

9.231 Detailed below is a summary of significant findings from the investigation conducted into the procurement of Water Purification Plants at Rietvlei and Appelsbosch Hospitals:

- 1) Intaka, an entity based in the Western Cape, received an order in the amount of R9,960,000.00 on 30 November 2006, for the supply of two (2) x Water Purification Systems from the Department, for Rietvlei and Appelsbosch Hospitals (R4,980,000 per system). B1/1
- 2) The awarding of the said order was made in terms of SCM Delegation 701: Urgent and Emergency Cases, based on a Memorandum (also referred to as a Submission or Memo 313) from Ntshangase to Dr Nyembezi dated 6 October 2006, signed by Ntshangase, Buthelezi and Dr Nyembezi. In terms thereof three quotations were invited by the Supply Chain Management Unit with the intention to deal with the matter as it was a health threatening situation. A3/23  
B6
- 3) The said awarding was preceded by the submission of 3 quotations (as referred to above) by the following entities, all based in the Western Cape to Dr Nyembezi and/or her personal assistant:
  1. Intaka Investments (Pty) Ltd on 2 October 2006. B7
  2. Imvusa Stainless (Pty) Ltd on 2 October 2006. B8
  3. Westpro Fluid Handling Systems (Pty) Ltd. The quotation is dated 29 September 2006, but was faxed on 3 October 2006 in terms of the fax imprint from Westpro on the top and bottom of the document. B9
- 4) Neither Imvusa nor Westpro were registered on the KZN Provincial Suppliers Data base at the time, nor are they currently registered.
- 5) Dr Gaston Savoi provided Dr Nyembezi via her personal e-mail address with the names and contact details of Imvusa Stainless and Westpro on 25 September 2006, (prior to receiving the quotations). There is no evidence of the Supply Chain Management Unit, whose duty it is to source quotations and procure goods and services, being involved in this process, contrary to what is recorded in the Memorandum referred to in 2) above. F1/9-10  
  
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- 6) On 2 October 2006 Intaka via Ashleigh Spencer, on behalf of Fernando Praderi sent quotations to Ron Geddes and Don Miller of Westpro and Invusa respectively. These quotations are identical (apart from the spelling of the surname "Geddis", to those subsequently sent to Dr Nyembezi by the said Ron Geddes and Don Miller). Both have denied any wrongdoing despite the overwhelming evidence of collusion in the submission of fraudulent quotations. Ron Geddes in an effort to cover-up his tracks further provided another quotation alleged to have been issued by Ansano Romani of Grotto another entity based in the Western Cape and suppliers of water purification systems, upon which he alleged he based his quotation to the Department. It was pointed out to him that this could not have occurred as the Grotto quotation is dated 26 October 2006, one month after his own quotation to the Department dated 29 September 2006. Grotto confirmed that the said quotation is false. E2+E3  
B8+B9  
C4A/4  
B9  
C4A/4  
B9
- 7) Ntshangase informed us at our interview with him, that he did not wish to discuss the Intaka water purification matter as it was sub-judicia, due to the criminal matter involving Intaka and the procurement of an ultra sound scanner, where the State allegedly withdrew the charges provisionally in order to add another 3 accused. However, he did inform us that he did not request the quotations, despite him stating this was the case in his Submission to the HOD on 6 October 2006. He alleged he was "forced" to sign the document. There is no evidence that he requested or received the quotations; as discussed above the documentation reflects Dr Nyembezi performed the said SCM function in consultation with Savoi. B6
- 8) Buthelezi has detailed his involvement in the said process in his Warning Statement referred to earlier in this report: he wanted the matter to go out to tender but Dr Nyembezi decided otherwise after she obtained advice from the then Head of Treasury, Sipho Shabalala; she authorised the procurement in terms of Supply Chain Management Interim Delegation 701; he did not want to sign the Submission as he felt uncomfortable with the situation when Ntshangase brought it to him for signature and informed Ntshangase accordingly; Ntshangase returned to him at a later stage and told him that Dr Nyembezi said he must sign the Submission now; at the time he felt threatened by what Ntshangase said, but signed the Submission as he was aware of the D12
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consequences and knew he could be fired if he did not do as Dr Nyembezi instructed as this could be seen as insubordination; he was also aware that the quotations did not come from Ntshangase; they came from the office of the HOD Dr Nyembezi; he did not source any of the quotations; and he signed the Submission as he knew Dr Nyembezi approved it in principal and had informed him accordingly.

- 9) The Departments Infrastructure Component were not involved in the drafting of specifications or the sourcing of a suitable service provider, and were only made aware of same when instructed by the HOD to issue the order to Intaka on 29 November 2006. Dr Nyembezi has again stated in this Memorandum that she had requested SCM to call for a Tender for the Installation of Water Purification Systems at both of the hospitals. This is untrue as the matter did not go out to tender and she obtained the "quotations" herself. B24
- 10) Grotto informed us that they were commissioned by Intaka to build 30 complete 'Wataka' water purification units. These plants were completed by the end of 2006. The first two plants were (unilaterally) discounted by some 50% by a Mr. Romani (now employed by Imvusa), ostensibly as Grotto's contribution to developing this new product. Subsequent plants were sold to Intaka for between R412,000 and R475,000, the price variance being the result of fluctuating steel prices and some specification changes relating to the control system of the plants. C8
- 11) Tony Gerrans of Grotto informed us further that they were unable make a 100% identification of the plants at Rietvlei and Appelsbosch Hospitals after we sent them photographs obtained by us when we visited the hospitals. However, they added that the plants are otherwise identical to what Grotto supplied to Intaka. Grotto concluded that the plants cost between R412,000 and R475,000 and an additional approximately R250,000 for transport and commissioning. Hence, Grotto's price for one water purification plant would have been a maximum of R725,000. Intaka charged the Department R4,980,000 per plant. C8
- 12) Similar products were purchased by the KZN Department of Local Government and Traditional Affairs from Intaka for approximately half the price paid by the Department of Health, during the same period. (5 June 2006, 20 plants at R44,563,636.49 or R2,228,181.82 per plant, and on 17 November 2006,

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R5,617,919.40 for transport, delivery, site preparation, installation and commissioning of 20 plants or R280,895.97 per plant, i.e. R2,509,077.79 per plant inclusive of all costs).

- 13) Savoi in his affidavit dated 14 July 2008 has referred to 2 x payments to Rowmoor Investments 738 (Pty) Ltd for "commission that was owed to Rowmoor for the sale of two water purification plants". The payments in the amounts of R500,000 each were made on 30 August 2007 and 23 November 2007 respectively. The marketing and sale took place on or prior to 6 October 2006. Rowmoor Investments 738 (Pty) Ltd was only registered on 26 March 2007. There is no evidence that Rowmoor Investments and/or the sole principal Lindelihle Mkhwanazi provided any such "marketing and sale" services. Savoi referred in his affidavit to an unsigned Confidentiality Agreement between Intaka and Rowmoor Investments. A document matching this was located in Intaka's records and is dated 10 July 2007. Hence, Savoi's explanation regarding the payments made to Rowmoor Investments is not supported by any other documentary evidence. E1  
E7  
B6  
E8  
F1/21-28
- 14) The collusive behaviour amongst Intaka (represented by Praderi), Geddes using Westpro and Don Miller using Invusa with the assistance of Savoi of Intaka and Nyembezi and Ntshangase of the Department and Romani using Grotto, has been designed to establish bid prices at artificial non- competitive levels and to deprive the Department of the benefit of free and open market competition.
- 15) It would appear that Nr Nyembezi, by approving the engagement of Intaka to supply water purification plants for Rietvlei and Appelsbosch hospitals, contravened:
- The provisions of section 217 of the constitution of the Republic of South Africa Act 108 of 1996 in that:
    - She failed to follow a procurement system which is fair, equitable, transparent, competitive and cost effective.
  - Section 38(1)(a)(b)(c) of the PFMA in that she failed to:
    - Maintain effective, efficient and transparent systems of financial risk management and internal control;
    - Implement an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;

References in the margin refer to  
 appendix numbers


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- Ensure that processes and procedures were in place for the effective, efficient, economical, and transparent use of the institution's resources; and
- Exercise reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure.



T S White  
Director: Forensic Services  
24 May 2010

# 9



TSW9

In the matter between:

KIMBERLEY CAS 02/05/2010

THE STATE

And

GASTON SAVOI	ACCUSED 1
FERNANDO PRADERI	ACCUSED 2
ANSANO ROMANI	ACCUSED 3
RONALD JAMES GEDDES	ACCUSED 4
SANJAY MITHA	ACCUSED 5
DANILE DEON MADYO	ACCUSED 6
JOHN BLOCK	ACCUSED 7
DANIEL GABORONE	ACCUSED 8
INTAKA NORTHERN CAPE (PTY) LTD	ACCUSED 9
INTAKA INVESTMENTS (PTY) LTD/INTAKA TECH (PTY) LTD/INTAKA HOLDINGS (PTY) LTD	ACCUSED 10
CHISANE INVESTMENTS (PTY) LTD	ACCUSED 11
STRATFIT CC TRADING AS WATERTech	ACCUSED 12
YADHAV INVESTMENTS CC	ACCUSED 13
NELMARIE OOSTHUIZEN	ACCUSED 14
ALICIA MARCUS	ACCUSED 15

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### REPORT OF TREVOR SEAN WHITE

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Dated	12 October 2010
Specialist field	Chartered Accountant and Forensic Auditor
On behalf of the Prosecution	The Director of Public Prosecutions
On the instruction of	The Department of National Treasury
Subject matter	Investigation conducted into the purchase of ten (10) x Water Purification Plants by the Northern Cape Department of Health from Intaka Investments (Pty) Ltd.



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**Chartered Accountant and Forensic Auditor**

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**ABBREVIATIONS AND TERMINOLOGY**

The following are abbreviations and terminology that have been used in this report:

<i>Abbreviated name/ terminology</i>	<i>Full name and/or description</i>
Barnardt	Barend Barnardt
BAS	Basic Accounting System
Forgeweld Stainless	Forgeweld Stainless (Pty) Ltd
Gaborone	Daniel Gaborone
Gerrans	Tony Gerrans, Grotto
Grotto	Grotto Manufacturing (Pty) Ltd
High- Tech Packaging	High- Tech Packaging (Pty) Ltd
HOD	Head of Department
Imvusa	Imvusa Stainless cc
Intaka	Intaka Investments (Pty) Ltd, Intaka Tech (Pty) Ltd, Intaka Holdings (Pty) Ltd
John Block	John Fikile Block
KZN	Kwa-Zulu Natal
KZN Health	The Department of Health KwaZulu- Natal
KZN LG & TA	KwaZulu- Natal Department of Local Government and Traditional Affairs
Madyo	Deon Madyo
Meagan	David Meagan, Westpro
Miller	Donald Miller, Imvusa Stainless cc
Mitha	Sanjay Kumar Mitha
National Treasury	The Department of National Treasury
Northern Cape DOH	The Northern Cape Department of Health
PFMA	Public Finance Management Act, Act 1 of 1999

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Praderi	Fernando Praderi, Intaka
PwC	PricewaterhouseCoopers
Romani	Ansano Romani, Invusa
Saima Shahzad	Saima Shahzad, sole member of Watertech
SAPS	South African Police Services
Savoi or Dr Savoi	Dr Gaston Savoi, Intaka
SCM	Supply Chain Management
Selao	Ms DD Selao, MEC Northern Cape DOH
Shabbir	Hamid Shabbir
Skyros Health	Skyros Health (Pty) Ltd
The Provincial Tender Board	The Northern Cape Provincial Tender Board
The Watertech Agreement	A Marketing and Distribution Agreement between Intaka and Watertech 1 January 2007
TP Kubheka	Tebogo Philip Kubheka
Watertech	Stratfit cc trading as Watertech
Westpro	Westpro Fluid Handling Systems (Pty) Ltd