'POS-24'

Analysis of extract of CPN report pp 46-82

For IPID (*pro bono*) 2017-02-02

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Referring to extract (pages 46 through 82) of the CPN report, using the same page and paragraph numbers:

PAGE 46

Paragraph 5.3 Refers to almost R30m of supplies with no proof of delivery. Paid for out of the CJS budget. The CJS budget, was not a procurement budget at all. Why did the Phahlane buy supplies, that should have been bought from the procurement budget, from the CJS budget?

PAGE 47

Paragraph 5.3 shows the supplier is Crimetech Laboratories CC (Phahlane's interior-designer's company)

PAGE 47

Paragraph 5.5 states the importance of reporting on certain matters, and goes on to say:

PAGE 48

Paragraph **5.8** states that Phahlane, at some stage during 2011, ordered that delivery must first be done to the CRC (in Pretoria) and that the supplier must thereafter distribute the goods to the LCRC's'. The effect of this is that CRC made massive purchases, far in excess of required product, and stock-piled same at CRC (in Pretoria). As will be seen, this led to the supplier being paid on goods that were not required, and would subsequently be rendered useless as same expired its shelf-life.

In paragraph **5.9** the expiry date issue is again raised, and the subsequent financial losses caused by over-ordering of products.

Paragraph **5.14** deals with a 'drastic increase, over the period of 3 years' resulting in 2011/2012 orders being **346% of 2010/2011** supply and supplies in **2012/2013 being 235%** of the supplies in 2010/11. The value of the increase in 2011/2012 amounts to more than R24 million. This was during the period when Phahlane built an 800 sq metre house, with cash the origin of which cannot be explained by him. The increase in 2012/13 amounts to more than R13 million. It is noted that the orders escalated (significantly) just before expiry of the contract to Crimetech. Since Moonsamy's statement (which is a part of the docket against Phahlane) makes it clear that goods were being delivered to the stations (LCRC's) in 2014, with the expiry dates already passed, this proves that the over-supply was such that expired stock was now being sent out to the stations, at massive expense to the tax-payer.

PAGE 57

Shows that a further **R12.3 million** in supplies was paid for with no proof of delivery. Also during the period the Sable Hills mansion was built, with unexplained cash. The over-supply is conveniently blamed on Brigadier Diko's assumption that the stations needed more stock. The only logical conclusion is that Brigadier Diko, was part and parcel of the fraud and corruption, or was blind to it.

PAGE 60/61 (BOTTOM OF 60 TOP OF 61)

Evidence that in a period of 6 months, from December 2010, through to June 2011, over-supply of **R41,961,470** took place. This price included VAT. The VAT component would have been **R5,153,163** yet no VAT was paid to SARS. Since VAT is collected by a 'vendor' as 'agent' for SARS, this means that Crimetech Laboratories stole more than R5.2m in VAT, from the police, or from SARS, or both. Brigadier Diko's lame excuse is that crime stats generated the need for the increase. This was clearly a fraudulent misrepresentation, as crime did not increase by c. 350%, which is why, by 2014, all LCRC's were in possession of expired stock. Curiously, this six month over supply of R41.9million, fits in with the period when the mansion was being built at Sable Hills. Why would the police buy four years' worth of forensic products in a six month period and hide it away in a central warehouse, so that it could expire its usefulness and have to be disposed of? Phahlane conveniently kept quiet about this when he made his 01 December 2016 exculpatory statement to the media, saying that the CPN report cleared him of any wrongdoing. He knew that to be a lie.

PAGE 62

Paragraph **5.28** makes it clear that stock was already out there with different expiry dates on it. However, Moonsamy's sworn statement (which is part of the docket against Phahlane) makes it clear the problem of over-supply only manifested itself in **2013 and 2014**, when ALL stock on hand at the LCRC's was expired, due to the over-supply that took place in 2010/2011 and 2012.

PAGE 63

Paragraph **5.29** makes it clear that stock was being delivered that had not been requisitioned. The logical conclusion is that the warehouse at CRC was obviously bursting at the seams and stock had to be got rid of, whether the stations needed it or not.

PAGE 63 (from paragraph 5.31) to PAGE 69

Makes it clear that the quoted prices included VAT at 14%, yet at the top of page 69, it is clear that VAT registration only took place on 30 June 2012. Since paragraph 5.14 on page 51, makes it clear that up to February 2012, stock to the value of R43,621,374 had been paid for, which prices include VAT, the theft from the police and/or SARS is at least **R5,357,000**, just for six months' worth of stolen VAT. At the second paragraph on page 69 the report states:

"The facts ascertained thus far and described in detail above are sufficient to constitute a *prima facie* indication that the supplier's conjunctive actions with regards to the quote on the bid unit price (knowing they are not registered VAT vendors); followed by the submission of numerous invoices which purport to contain a unit price inclusive of VAT; and subsequent to having been paid the full amount, retaining of the VAT benefit, was, prima facie, a fraudulent misrepresentation and/or a potential criminal act of value added tax law evasion."

At this time Phahlane had bought a stand for R850,000 and has built a house costing at least R5 million, yet does not appear to have paid anything other than small amount of cash for the construction. You should invite Phahlane to explain what, other than retaining the services of that company's owner as his Interior Designer and also renewing the contract, he has done about the fraud identified in the CPN report. I will produce a set of question for you.

PAGE 76/89

These pages deal with the illicit birthday party for Phahlane by one his subordinates, who later resigned rather than face the music. She was later re-hired through the back-door at the increased rank of Major General.

I feel that all of the above clearly shows that:

- At the best, Phahalne failed to comply with the PFMA, which failure cost the SAPS millions of Rand (estimated at, at least R40 million plus VAT theft of R5.3m) in fruitless and wasteful expenditure.

- At worst, was involved in a corrupt relationship with Crimetech / Komodolowicz, which was facilitated through a massive over-order of supplies that then passed the expiry date and other contractors would have to be paid for the safe waste-removal of same.

I am inclined in favour of 2 Above, for the following reasons:

- Phahlane built a mansion during the same period at an estimated cost of R5m up to March 2012, with no visible evidence of payments to the builder through the books of that company.

- Additionally, by paying the contractors with untraceable cash, Phahlane must have been engaged in money-laundering. As such, he facilitated the contractor to work off the books thereby he also facilitated them avoiding payment of tax on the income earned.

- In order to prove Phahlane's unlawful intention, one just needs to refer back to his 2016-12-01 media conference, where he claimed the CPN report 'cleared him of any wrong doing'. Curiously, he did not release the CPN report to the media, preferring instead to simply mislead them, with carefully chosen exculpatory extracts, deliberately concealing the probative aspects. This is the same day he said he never knew of the IPID investigation, which is clearly now also known to be an intentional misrepresentation.

In summation, the key indicators from the above are:

- Crimetech Laboratories cc 'Crimetech' were a major supplier to the SAPS;
- Phahlane hired the owner of the Crimetech as his interior designer;
- It was a unit-price tender per item supplied to the police. The prices remain fixed, regardless of the quantities;
- The prices were inclusive of VAT, at 14% - to determine the VAT component, simply divide the unit price by 114 and then multiply by 14;
- Crimetech did not register for VAT, (until after the first contract had expired) thereby defrauding the police and/or SARS out of at least R5.3m, probably a lot more. I have filed a formal complaint with SARS as a result thereof;
- In 2011 and 2012, there were massive (unexplained) increases in deliveries;
- These deliveries were made to a central warehouse, as per Phahlane's (new) instructions;
- The warehouse was full, so they started sending it to the stations whether they wanted the supplies or not. When it got there, a lot of it was past the sell-by date and was therefore useless and contractors had to be paid to safely dispose of it;
- Whistle blowers, such as Colonel Moonsamy, figured out something bad was going on and started complaining;
- Whilst blowers were victimised by Phahlane, and intimidated into silence;
- In the last six months of the Crimetech contract, which ran out on 30 June 2011, orders to the value of almost R42m were processed. This was about 4 years' worth of supplies, and was doomed to all expire before it could be used. Of that R42m, R33m was supposed to be delivered in the last six weeks, of which R25m was delivered in the last week of the contract;
- All of the above took place whilst Phahlane's mansion was being built at Sable Hills.

5. Procurement irregularities: Goods not delivered at the CRC

Introduction and background

5.1 In a memorandum addressed to the National Commissioner of the SAPS dated 25 June 2012 and signed on 18 July 2012, the General Secretary of POPCRU alleged, among others, that goods purchased and paid for by the *"Department"* amounting close to R30 million were not delivered by the supplier. Reference in this regard was made to an "Annexure P" which referred to six orders for the delivery of chemicals and reflected the following (the abbreviation "CJS" in the heading refers to funds allocated under the Criminal Justice System)(see **Exhibit 15**):

CRIMETECH LABORATORIES STOCK OF CJS			
ORDER NUMBER	**AMOUNT OF ORDER**	**INVOICES PAID**	**OUTSTANDING AMOUNT**
A284243	R1 971 600.00	R1 793 585.00	R178 015.00
AC484703	R2 159 730.00	R2 094 630.00	R65 100.00
AC484741	R5 135 500.00	R5 135 500.00	R0.00
AC484814	R7 493 500.00	R3 200 000.00	R4 293 500.00
AC484845	R14 733 000.00	R0.00	R14 733 000.00
AC484902	R10 468 500.00		
TOTAL OUTSTANDING			**R29 738 115.00**

5.2 It appears that the abovementioned orders pertained to chemicals that were used by the CRC and LCRC's. The first order was issued on 23 December 2010 and the other orders were issued on 8 March 2011; 24 March 2011; 11 May 2011; 23 June 2011; 29 June 2011; and 20 August 2011 respectively.

5.3 It was ascertained during our investigation that the chemicals were supplied in terms of transversal contracts entered into by the National Treasury with several suppliers for various products. The contracts, RT152-2009 and RT152-2011, in so far as it relates to the supply of chemicals to the CRC and LCRC's, were entered into, among others, with Crimetech Laboratories CC (the supplier).

5.4 Interviews were conducted with numerous members of the SAPS. Various documents, including financial documents (orders, invoices, delivery notes, stock requisitions, stock withdrawals and Polfin information), were sourced in order to comply with our mandate. It must at the outset be pointed out that we were not required to audit the financial documentation in terms of the International Standards on Auditing.

5.5 As a consequence of our investigation specific facts and/or allegations came to our attention relevant to the procurement of the goods and not only the delivery thereof and because of the seriousness and importance thereof, it has been deemed imperative to report thereon.

<u>Summary of facts</u>

5.6 In response to POPCRU'S allegations referred to above, Lt Genl Phahlane reacted as follows in a memorandum dated 12 September 2012 addressed to all the members of the Division: Forensic Services:

- His office was not aware of any payments made for goods and services before delivery in the Forensic Services environment. The Supply Chain Management processes and procurement prescripts are strictly complied with.

- The current procurement process that was followed is to the effect that goods were delivered to the stores of the CRC as a central point where after it was redistributed by the supplier to the respective end users according to a distribution list that was provided. According to him this mechanism was introduced to ensure proper control and management of stock levels *"following the reporting of a deviation in this regard"*. This deviation and the circumstances relevant thereto were not explained in the memorandum.

5.7 Capt M Zinserling, who is in control of the stores at the CRC, was interviewed with regard to the allegations by POPCRU. According to Capt Zinserling the deliveries by the supplier were initially done directly to the LCRC's. Each LCRC did its own need assessment and payment was effected once proof of delivery to the LCRC's was supplied.

5.8 After Lt Genl Phahlane took office he, at some stage during 2011, ordered that delivery must first be done to the CRC and that the supplier must thereafter distribute the goods to the LCRC's. The effect hereof was that the supplier was paid once delivery at the CRC took place. According to Capt Zinserling, this resulted in the supplier taking its time to do the distribution.

5.9 The distribution referred to above was done according to a distribution list compiled by Brig Diko. The need assessments were also done by Brig Diko. As far as Capt Zinserling knew, the LCRC's did not give input for purposes of a need assessment. As a result hereof, overstocking of chemicals at the CRC and LCRC's became the norm. According to Capt Zinserling, this posed a risk, because the chemicals have expiry dates. If chemicals expire, the SAPS could suffer financial losses and storage space was problematic (see **Exhibit 16**). Chemicals that were not properly stored, resulted in health and safety risks and the stores at the CRC were not in all respects complying in the aforementioned regard. We drafted a schedule reflecting the flow chart of procurement processes (see **Annexure A**).

5.10 Capt Zinserling uttered the following concerns regarding the present process:

- After delivery of the chemicals to the CRC stores, an invoice was submitted and the supplier was paid. Delivery at the CRC stores had the effect that the chemicals became the property of the SAPS. When the supplier collected the goods for distribution, the supplier took control over State property. The CRC had no control over the delivery of the goods, except for the delivery notes that had to be submitted after delivery took place at the LCRC's. The CRC had no proof that the original retrieved chemicals were indeed the chemicals delivered at the various LCRC's.

- A reconciliation of the CRC's SAP 24 store register was done during September 2011 and it was found that a number of alleged deliveries to LCRC's in terms of the aforementioned procedure could not be verified by the delivery notes. We obtained a copy of an analyses in the aforementioned regard compiled by Capt Zinserling, Capt TS Mnumzana and Col E Honiball.

- According to Capt Zinserling it was established that before one order for chemicals has been fulfilled, the next order was issued. He drafted a letter to the supplier for signature by Maj Genl Khunou requesting assistance with the outstanding delivery notes. He also noted that the number of orders has escalated dramatically over recent years, resulting in a dramatic rise in expenditure and the overstocking of goods.

5.11 It was ascertained that Brig Diko at CRC did the need assessments, where after Maj Genl Khunou recommended the demand and Col Honiball prepared the required documentation for approval by Lt Gen Phahlane. After the approval, Col Honiball issued the orders.

Financial analysis

5.12 A financial analysis was done with respect to the 7 orders that ranged from 23 December 2010 to 20 August 2012 (see **Annexure B**). The relevant orders; delivery notes; invoices; and the payments reflected on the POLFIN System were evaluated. We did not have insight into all the delivery notes, as would appear hereunder. The information contained in the following schedule drafted by us, reflects relevant information of the 7 orders. The first 6 orders were those referred to by POPCRU in the letter referred to in our report and relates to contract number RT152-2009. The seventh order relates to contract RT152-2011.

Orders	**Total (R) ordered**	**Total (R) paid**	**Balance**	**Exhibit**
A 284243 23/12/10	1 971 600.00	1 899 965.00	71 635.00	**17**
AC 484703 08/03/11	2 159 370.00	2 159 370.00	0.00	**18**
AC 484741 24/03/11	5 135 500.00	5 135 500.00	0.00	**19**

AC 484814 11/05/11	7 493 500.00	7 421 427.20	72 072.80	**20**
AC 484845 23/06/11	14 733 000.00	15 375 428.00	-642 428.00	**21**
AC 484902 29/06/11	10 468 500.00	10 417 620.00	50 880.00	**22**
AF 150191 20/08/12	21 669 700.00	21 669 690.01	9.99	**23**
Total	**63 631 170.00**	**64 079 000.21**	**-447 830.21**	

5.13 The abovementioned schedule reflects an overpayment of R447 830.21 to the supplier on the 7 orders.

5.14 The total payments to the supplier per financial year reflected a drastic increase over the period of 3 years as indicated hereunder:

- 2010/2011 R9 780 480.00
- 2011/2012 R33 840 894.20
- 2012/2013 R22 974 236.01

5.15 It was noted during the analysis that the same items were ordered within very short intervals, even before the previous order(s) have been fulfilled. For example, the last invoice in respect of order number A 284243 of 23 December 2010 (the first order) was only paid on 1 June 2012. It was also found that the orders escalated shortly before the contract expired.

5.16 The three schedules hereunder confirm the fact that to a large extent, the same items were ordered within very short intervals.

Items	Unit price	Quantity ordered	Quantity ordered	Quantity ordered
		A 284243 (23/12/10)	AC 484703 (08/03/11)	AC 484741 (24/03/11)
DFO HFE Premix	3 250.00	151	150	500
Ninhydran HFE Premix	2 950.00	151	150	500
Ninhydran Methanol Premix	1 050.00	336	150	500
Rhodamine 6G Premix	795.00	336	315	500
SPR Premix	795.00	75	150	200
Sudan Black Premix	795.00	96	205	200
Amido Black Premix	795.00	75	150	200

Items	Unit price	Quantity ordered	Quantity ordered	Quantity ordered
		AC 484814 (11/05/11)	AC 484845 (23/06/11)	AC 484902 (29/06/11)
Ninhydrin Aerosol Spray Aeroprint Ninhydrin 150ml	395.00	3500	5000	5000
DFO Aerosal Spray Aeroprint DFO 150 ml	375.00	3500	8000	8000

Items	Unit price	Quantity ordered AC 484814 (11/05/11)	Quantity ordered AC 484845 (23/06/11)	Quantity ordered AC 484902 (29/06/11)
Aeroprint Black 80	59.00	20000	5000	
Aeroprint Silver 80	59.00	20000	5000	
Aeroprint Black Coastal	175.00	500		
Aeroprint White Coastal	125.00		1000	
AeroprintBichroatic 150ml	195.00	1500	1000	
Aeroprint UV Yellow 150ml	125.00	1500	2000	
Aeroprint UV Orange 150ml	125.00	1500	2000	
Aeroprint UV Green 150ml	125.00	1500	2000	
Aeroprint UV Pink 150ml	125.00	1500	2000	
Aeroprint Red Oxide 150ml	81.00	1500	1000	
Aeroprint White 150ml	59.00	3000		1000
Aeroprint White, 80, 150ml	125.00		1000	1000
Aero Dye Base Red 250ml	225.00	1000	1000	
Aero Dye Base Yellow 250ml	225.00	1000	1000	

5.17 The cursory evaluation of payments against invoices established that on one occasion, an invoice, relevant to specific delivery acknowledgements, appear to have been duplicated. POLFIN payment information revealed that payment was made against an invoice 'CIT 1100165" (see **Exhibit 24**) for an amount of R714 875.00 on 4 August 2011. A slightly differently recorded invoice number "06201100165", which contained the same items and amount under the same order number, was paid on the same date. This, among others, was rectified by means of a credit note dated 27 March 2012 given by the supplier for an amount of R838 625.00, which reflects on POLFIN. It could not on the information at our disposal be determined what the balance of the credit note covered (see **Exhibit 25**). Col Honiball, whose interview is referred to hereunder, also could not assist in this regard, due to the time lapse.

5.18 Only via a thorough forensic financial analysis, including all invoices issued; delivery notes filed; and a reconciliation of all the relevant SAP 24 store registers would it be able to conclude a detailed finding and quantification as to payments made on official orders against invoices submitted and quantities delivered. The delivery notes in respect of the following invoices, which were paid, could not be found amongst the documentation that was at our disposal:

Date	LCRC/CRC	Order no	Invoice no	Amount (R)
19/01/11	Middelburg	A 284243	CIT 0120110021	6 075.00
12/01/11	Kimberley	A 284243	CIT 0120110031	9 225.00
12/01/11	Worcester	A 284243	CIT 0120110034	9 225.00
12/01/11	Cape Town PTT	A 284243	CIT 0120110035	9 225.00
12/01/11	Paarl	A 284243	CIT 0120110036	11 070.00

12/01/11	Cape Town	A 284243	CIT 0120110037	11 070.00
19/01/11	Mmabatho	A 284243	CIT 0120110051	6 075.00
25/01/11	Germiston	A 284243	CIT 0120110068	14 250.00
25/01/11	Soweto	A 284243	CIT 0120110069	14 250.00
25/01/11	Vereeniging	A 284243	CIT 0120110070	14 250.00
25/01/11	Johannesburg	A 284243	CIT 0120110072	14 250.00
25/01/11	Ga-Rankuwa	A 284243	CIT 0120110073	11 610.00
25/01/11	Kemptonpark	A 284243	CIT 0120110074	11 610.00
09/02/11	Newcastle	A 284243	CIT 0120110079	2 385.00
11/02/11	Seleshosha	A 284243	CIT 0120110084	2 385.00
11/02/11	Bethlehem	A 284243	CIT 0120110085	2 385.00
11/02/11	Phudathithaba	A 284243	CIT 0120110086	2 385.00

11/02/11	Kroonstad	A 284243	CIT 0120110087	2 385.00
11/02/11	Welkom	A 284243	CIT 0120110088	2 385.00
09/03/11	Richardsbay	A 284243	CIT 0120110099	22 370.00
09/03/11	Pietermaritzburg	A 284243	CIT 0120110100	22 370.00
27/03/12	CRC	A 284243	CIT 00000204	28 875.00
18/08/11	CRC	AC 484902	CIT 06201100179	29 500.00
12/10/11	CRC	AC 484902	CIT 06201100197	395 115.00
03/10/11	CRC	AC 484902	CIT 06201100191	1 077 300.00
30/09/11	CRC	AC 484902	CIT 06201100187	29 500.00
18/08/11	CRC	AC 484902	CIT 06201100168	90 000.00
27/03/12	CRC	AC 484902	CIT 00000205	6 375.00
27/03/12	CRC	AC 484902	CIT 00000203	29 500.00
23/05/11	CRC	AC 484902	CIT 00000207	83 625.00
09/05/12	CRC	AC 484845	CIT 00000208	347 997.00

17/08/11	CRC	AC 484845	CIT 06201100166	265 500.00
18/08/11	CRC	AC 484845	CIT 06201100167	197 500.00
30/09/11	CRC	AC 484845	CIT 06201100193	1 144 000.00
04/12/12	CRC	AF 150191	CIT 011	8 457 740.00
	Total			**R12 383 762.00**

5.19 The fact that the abovementioned invoices could not be found, does not necessarily mean that deliveries in those instances did not take place. An audit of the relevant SAP 24 registers would be required in order to determine whether deliveries in the absence of delivery notes took place.

5.20 Col Honiball of the Division: Forensic Services, Section Support Services was consulted and he stated the following:

- He was, among others, involved in the payment of the supplier rendering services to Forensic Services. Brigadier Diko drafted the need assessments for the CRC.

- Lt Genl Phahlane at a stage changed the process of delivery so that delivery of chemicals takes place at the CRC store where after the supplier distributes chemicals to the various LCRC's. The change was made in order to exercise better control over the receipt, payment and distribution of chemicals.

- The analyses by Capt Zinserling was incomplete in some respects and he had numerous meetings with the supplier and sorted out all the seemingly under or over deliveries. As a result, all payments of all invoices could be accounted for.

- Capt Zinserling is overall responsible for the CRC store and the completion and updating of the SAP 24 register when chemicals are received or withdrawn by the supplier for distribution.

- All LCRC's were required to update their SAP 24 registers. If there was an under or over stock of chemicals at those offices, the commanders of such offices were responsible for same and thus accountable. Those commanders were responsible for supplying the correct figures and correct need assessments.

- During 2010/2011 there were many problems with the first order, A284243 dated 23 December 2010. For instance, duplicate payments occurred in certain instances, due to incorrect invoice numbers.

- He commenced duties as Section Commander Supply Chain Management at Forensic Services around July 2011.

- With regard to the issue of outstanding delivery notes of deliveries to the LCRC's, he confirmed that certain delivery notes are still outstanding. This was mostly with regard to the first order, to wit order number A284243. According to him, Capt (f) Lombard at the CRC was overseeing the process at that time.

- He noted during 2011/2012 that the supplier was not VAT registered. He did not liaise with the supplier in this regard. It also did not occur to him that historically the fact that the supplier was not a VAT vendor had the effect that the supplier received VAT, which seemingly was not paid over to SARS. Contract RT 152-2011 was awarded specifically on the basis of a VAT inclusive price per unit (see **Exhibit 26**).

- During August 2012 the supplier informed him that it has changed its status from a closed corporation to that of a company and has registered for VAT. The documentation pertaining to the aforementioned was submitted to the Finance Division on 23 August 2012.

- According to Col Honiball all the invoices he processed for payment, were paid after delivery of the relevant items.

5.21 Brig Diko was also interviewed. He is the Section Head: Crime Scene Management and has for the last three years been responsible for the need assessments pertaining to the procurement of chemicals for all the LCRC's. After delivery of chemicals has taken place at the CRC, he compiled a distribution list for the distribution by the supplier of the chemicals to the various LCRC's.

5.22 Brig Diko explained the need assessment process as follows:

- During 2009/2010 the LCRC's did the procurement of chemicals. During September 2010 a national problem occurred in that the levels of available chemicals became very low. As a result, CRC management decided to procure chemicals that are used on a daily bases from the so-called CJS budget. This decision was taken by Maj Genl Khunou, Brig Voster and Brig Diko.

- At the time the supplier was delivering directly to the LCRC's. Problems were, however, experienced with the reconciling of deliveries and payment thereof. This resulted in the decision that the supplier must first deliver to the CRC and thereafter distribute goods to the LCRC's according to the distribution list.

- Brig Diko conceded that for the purposes of the first order issued in December 2010 and the orders issued during 2011 the LCRC's were not consulted in order to determine the need for chemicals. He referred to previous crime statistics and the size of the LCRC's (being categorised into small, medium and large offices) to determine the need. He conceded further that one cannot do a proper need assessment in this manner and that the LCRC's inputs through the provincial heads should also have been requested. For purposes of the last order that was issued during August 2012, he did consult the LCRC's through the provincial heads. Brig Diko submitted examples of his e-mails in this regard. However, he also indicated that, for example, where a LCRC had indicated a need for 50 boxes of a particular chemical he would request 100 boxes. He explained that he did not want a shortage to come into existence.

- According to Brig Diko the provincial heads should have informed him of overstocking. According to him, that did not happen.

- It was pointed out to Brig Diko that the orders that were placed during December 2010 and during 2011 were issued in very short order. Orders were issued on –

  - 23 December 2010 to the amount of R1 971 600.00;
  - 8 March 2011 to the amount of R2 159 370.00;
  - 24 March 2011 to the amount of R5 135 500.00;

- 11 May 2011 to the amount of R7 493 500.00;
- 23 June 2011 to the amount of R14 733 000.00; and
- 29 June 2011 to the amount of R10 468 500.00.

Brig Diko explained that the reasons for the above were two fold, namely the orders during 2011 were not for the same chemicals and the problem of depleted chemicals during 2010 had to be addressed.

- Brig Diko was also requested to explain the apparent drastic escalation in procurement as already referred to above. His explanation in this regard was to the effect that the crime statistics would show the need for the increase.

5.23 We were made aware of several complaints pertaining to the quality of certain of the chemical products received from the supplier. It also appears that e-mail correspondence exist, which is addressed to the CRC management pointing out the problems experienced with certain chemicals, including canisters which have exploded and leaked. Although this aspect does not fall directly within our mandate, we felt it necessary to cursorily canvass it with Brig Diko.

5.24 Brig Diko indicated that the canisters that were bought during 2007 to 2009 worked excellent. During this time only a small quantity of canisters were bought. During 2010 a once off large quantity ("thousands") of canisters were bought. It was then that problems were experienced. Canisters exploded and leaked. Due to the large quantity bought during 2010, no canisters were bought after that. According to Brig Diko investigations were done with regard to the faulty canisters. He did not know the outcome thereof. As a precautionary measure, special heat resistant bags were bought in which the canisters had to be transported. This, according to him, remedied the problem.

5.25 Brig Diko was aware of complaints that some pre-mixes did not work properly and did not give the required results. The supplier was informed of this. The supplier visited the laboratory on the 8th floor of the CRC and did sample testing that gave results. It was established that the laboratory technicians were using the pre-mixes incorrectly. A need for further training by the supplier was then identified.

The Overstocking of LCRC's

5.26 During our investigation and interviews it became apparent that there was an overstock of chemicals at various LCRC's nationally and a need was identified to visit some of the laboratories to familiarise us with the status in this regard.

5.27 The LCRC's visited were chosen randomly. The following LCRC's were visited and interviews were held with the persons indicated:

- LCRC, Modimolle – interview with WO Tshitake;
- LCRC, Kwa-Mhlanga – interview with Capt Motshaisi;
- LCRC, Brits – interview with WO Matole; and
- LCRC, Zamdela – interview with WO Le Roux.

5.28 The following observations were made:

- At Modimolle chemicals were found that had two different expiry dates indicated on the same item;

- An overstock of chemicals was found at all the LCRC's visited;
- Although the Kwa-Mhlanga Office does not have a laboratory, it received high volumes of chemicals;
- Faulty chemicals were noted at Zamdela that was not removed by the supplier; and
- Comments made by all SAPS staff at the LCRC's were to the effect that they received chemicals that were not requisitioned by them.

5.29 Col Moonsamy from East Londen was interviewed in Pretoria. He indicated that chemicals were delivered to his laboratory without any requisition having been made there for. He later supplied us with two affidavits confirming same (see **Exhibit 27** and **Exhibit 28**).

5.30 Information regarding the delivery of chemicals to various LCRC's in Gauteng was also sourced. It transpired that in many instances stocks were received without it having been ordered; stores were overstocked and chemicals have expired or are approaching expiry dates; in some instances more than one expiry date appears on the same item; in other instances expiry dates are vague in that it only indicate the year of expiry; and many complaints regarding the quality of certain chemicals and canisters containing chemicals were received.

<u>Value Added Tax and price irregularities</u>

5.31 In order to comply with our mandate pertaining to POPCRU's allegation regarding the non-delivery of goods already paid for, we evaluated aspects relating to the terms of National Treasury contract numbers RT152-2009 and RT152-2011, which constitutes the procurement basis between the FSL (and CRC) and the supplier.

5.32 The most relevant terms that came to the fore were the following:

General Conditions of Contract (GCC):

- Paragraph 16.1: *"The method and conditions of payment to be made to the supplier under this contract shall be specified in SCC (Special Conditions of Contract)"*.

- Paragraph 16.2: "The supplier shall furnish the purchaser with an invoice accompanied by a copy of the delivery note and upon fulfilment of other obligations stipulated in the contract".

- Paragraph 17.1: *"Prices charged by the supplier for goods delivered and services performed under the contract shall not vary from the prices quoted by the supplier in his bid, with the exception of any price adjustment authorised in SCC or in the purchaser's request for bid validity extension, as the case may be"*.

- Paragraph 18.1: *"No variation in or modification of the terms of the contract shall be made except by written amendment signed by the parties concerned"*.

- Paragraph 32.2: *"A local supplier shall be entirely responsible for all taxes, duties, and license fees etc., incurred until delivery of the contracted goods to the purchaser"*.

- Paragraph 32.3: *"No contract shall be concluded with any bidder whose tax matters are not in order. Prior to the award of a bid the Department must* *be in possession of a tax clearance certificate, submitted by the bidder. This certificate must be an original issued by the South African Revenue Services".*

Special Requirements & Conditions of Contract (RT152-2011: 1/7/2011 to 30/6/2013) (SCC):

- Paragraph 6: *"All bid prices must be inclusive of 14% Value Added Tax".* (Emphasis added).
- Paragraph 7: *"An original and valid tax clearance certificate issued by the South African Revenue Services certifying that the taxes of the bidder are in order must be submitted at the closing date and time of bid. Failure to comply with this condition will invalidate the bid".*
- Paragraph 13.1.a: *"Prices submitted for this bid will be regarded as non-firm and subject to adjustment(s) in terms of the following formula, defined areas of cost and defined periods of time".*
- Paragraph 13.1.b: *"Bidders should quote a delivered price".*
- Paragraph 13.5.a: *"Unless prior approval has been obtained from Contract Management, no adjustment in contract prices will be made".*
- Paragraph 13.5.b: *"Applications for price adjustment must be accompanied by documentary evidence in support of any adjustment".*
- Paragraph 14.1.a: *"Delivery of products must be made in accordance with the instructions appearing on the official order form emanating from the above-mentioned institutions placing the orders".*

- Paragraph 14.1.b: *"All deliveries or dispatches must be accompanied by a delivery note stating the official order number against which the delivery has been effected. No other documents must be attached".*

- Paragraph 14.1.d: *"The instructions appearing on the official order form regarding supply, dispatch and submission of invoices must be strictly adhered to".*

- Paragraph 14.1.e: *"All invoices should be delivered/posted to reach the institution that placed the order timeously. The invoices should be original and accompanied by proof of delivery".*

5.33 A cursory investigation and analysis of the orders, delivery notes and invoices, relevant to the supply of chemicals by the supplier to the SAPS Forensic Services (FSL and CRC), during the period 2011 to 2012, revealed the following serious concerns:

Aspects relevant to VAT

5.34 It is apparent from an evaluation of the GCC and SCC, as referred to above, that the successful bid was awarded on the basis that the stated bid price by the bidder included VAT at the rate of 14%. The supplier's bid documents pertaining to his bids for contracts RT 152-2009 and RT 152-2011 were sourced from the National Treasury (see copy of RT 152-2009 as **Exhibit 29**). The following with regard to the VAT aspect appeared from these documents:

Contract RT 152-2009

- On SBD 1 and SBD 6.1 the supplier furnished a VAT number 4220228636 (see **Exhibit 30**). The tax clearance certificate (TCC) for the period 13 March 2009 to 13 March 2010 that was submitted by the supplier, however, does not contain a VAT number (see **Exhibit 31**).

- On SBD 6.3 the supplier indicated that his total annual turnover is R4 million (see **Exhibit 32**). This in itself is an indication that the entity was compelled to register for VAT, which seemingly (in terms of the TCC) was not the case.

- The list of chemicals indicated in the bid documents (pages 337 to 405) reflects the unit prices as VAT inclusive (see **Exhibit 33**).

<u>Contract RT 152-2011</u>

- On SBD 1 and SBD 6.1 the supplier indicates that VAT registration is pending (see **Exhibit 34**). The TCC for the period 4 May 2010 to 4 May 2011 that was submitted for purposes of this bid, did not reflect a VAT number (see **Exhibit 35**).

- On SBD 6.3 the supplier indicated that his yearly turnover was R5 million (see **Exhibit 36**). We did not peruse orders and invoices for 2009. It was noted that the first order (A284243) was issued on 23 December 2010. However, considering the orders issued by the SAPS from 23 December 2010 to 8 March 2011, it amounted to R4 130 970.00.

- The list of chemicals indicated in the bid documents (pages 259 to 327) reflects the unit prices as VAT inclusive (see samples as **Exhibit**

37). In some instances the word *"VAT"* was deleted, but in other instances not. It is however unknown who deleted this word as no signatures/initials were inserted at the change/s. It should, however, be reiterated that the SCC's applicable to this bid requires the unit prices to be VAT inclusive.

- In the light of the above and upon evaluation of the payment invoices submitted by the supplier during that period, it is clear that the supplier's unit prices, in correlation with the Contract Circular Report prices quoted (see **Exhibit 26**), as well as the endorsement on the invoices, to wit *"Incl VAT"* indeed included a VAT component of 14%. Factually therefore, the SAPS, when paying the full total of the supplier's invoices, which was indeed the case, paid the 14% VAT component to the supplier.

- During 2011 and up until June 2012 the supplier was not a registered VAT vendor with SARS, nor did the supplier indicate a VAT registration number on its invoices (see **Exhibit 38**). VAT registration information sourced from SARS confirmed that the supplier was not registered for VAT during the above-mentioned period. It, therefore, seems that the supplier, during that period, irregularly retained the benefit of the 14% VAT component in respect of invoices so paid by the SAPS.

- Further substantiation for the above contentions is to be find in the following:

From a TAX invoice dated 27 July 2012 in respect of order number 0308 to the amount of R94 842.11 in which the supplier clearly indicated that VAT indeed formed part of the price per unit charged, whilst he was not registered as a VAT vendor, it can be concluded that the supplier knowingly acted in contravention of SARS legislation (see **Exhibit 39**). The invoice pertains to an order that was dated prior to the supplier's VAT registration date of 30 June 2012, to wit 29 June 2011 (see **Annexure B**).

- The facts ascertained thus far and described above are sufficient to constitute a *prima facie* indication that the supplier's conjunctive actions with regards to the quote on the bid unit price (knowing that they are not registered VAT vendors); followed by the submission of numerous invoices which purport to contain a unit price inclusive of VAT; and subsequent to having been paid the full amount, the retaining of the VAT benefit, was, *prima facie*, a fraudulent misrepresentation and/or a potential criminal act of value added tax law evasion.

- A further aspect that raises concern in this regard, but which requires further investigation, is the question as to how it came about that National Treasury and/or the BEC/BAC proceeded under the circumstances to successfully award a bid to a bidder who were clearly at the time of the tender/bid evaluation not a registered VAT vendor. (Paragraph 6 of the SCC appears to create a compulsory VAT vendor obligation in that it requires the VAT component as per **Exhibit 40** and **Exhibit 41**). Even if one were to hypothetically assume that a bidder would not necessarily be disqualified on the basis that it was not registered for VAT, then the question still remains as to why the bidder was potentially awarded a bid without requiring that the irregular 14% VAT component be deducted from the quoted unit price.

<u>Aspects relevant to Price and Payment of Invoices</u>

- From the limited investigation conducted into the payment of invoices and the unit prices charged by the supplier, it appears that there was no formal unit price increase or amendment during the period 2011 and 2012. On an information note requesting procurement authority, dated 23 May 2011, issued by Brig Diko and recommended and approved by Maj Gen Khunou (which appears to be contrary to general policy on segregation of authority), the unit price of two items (out of a total of 30), to wit Aeroprint Blue Oxide and Aerowet were respectively increased from R81.00 and R75.00 to R85.00 and R95.00 (see **Exhibit 42**). It appears that this price adjustment could, therefore, have been effected contrary to the provisions of paragraph 17.1 and paragraph 18.1 of the GCC.

Relationship between Crimetech Laboratories and Kriminalistik

- The supplier of chemicals to the SAPS under of the two year National Treasury contract RT 152-2009 was Crimetech Laboratories CC (Crimetech). (It later changed into a company as is shown hereunder). In terms of the two year contract RT 152-2011 Crimetech was the supplier of certain chemicals whilst Kriminalistik CC became the supplier of various other chemicals, which were previously supplied by Crimetech under contract RT 152-2009. It furthermore came to our knowledge that Kriminalistik changed ownership during 2013, prior to the opening of the bidding for the new contract RT 152-2013.

- As a result of the relationship (as is pointed out hereunder) between Crimetech in both its forms and Kriminalstik before and after it changed ownership, the concern is that possible collusion in the tender processes may have taken place between the role players and that this merits further investigation. The facts pertaining to this concern appears from, among others, the following profiling that was done from CIPC information:

Name	:	Crimetech Laboratories CC
Registration number	:	2009/ 036969/ 23

Registration date	:	26 February 2009
Members	:	Deale, Johan Henry, ID 590904 5033 088 Komodolowicz, Jolanta Regina, ID 740519 0859 185 (Ms Komodolowicz's membership started on 30/01/2012)
Address	:	Midas Avenue 20/2 Tweefontein 61 Bronkhorstspruit 1020

Name	:	Crimetech Laboratories (Pty) Ltd
Registration number	:	2012/ 068960/ 07
Registration date	:	16 April 2012
Directors	:	Deale, Johan Henry, ID 590904 5033 088 Komodolowicz, Jolanta Regina, ID 740519 0859 185
Address	:	Plot 20 Midas Avenue Olympus Pretoria East 0081

Ms Komodolowicz, resigned from Kriminalistik during 7 February 2013. Kriminalistik's profile is as follows:
(see **Exhibit 43**)

Name	:	Kriminalistik
Registration number	:	2009/ 027418/ 23
Registration date	:	12 February 2009

Members	:	Dlugosz, Karolina Ewelina, ID 930725 1133 187 (Ms Dlugosz became member on 7/02/2013)
Address	:	3B Player Street Silver lakes Pretoria 0081

(see **Exhibit 44**)

Ms Dlugosz is the daughter of Ms Komodolowicz. National Treasury contract RT 152-2011 reflects that Crimetech and Kriminalistik provided the same contact details, to wit:

Crimetech Laboratories CC	Fax (012) 991 2131
Kriminalistik CC	Tel (012) 991 2131

(see **Exhibit 45**)

5.35 Additional documentation perused also indicates that the details provided on a test result issued by Crimetech and a quotation issued by Kriminalistik, with Ms Dlugosz as member, were the same, to wit (see **Exhibit 46**):

		Crimetech Laboratories	Kriminalistik
Physical address	:	Plot 20 Midas Avenue Olympus Pretoria East	Plot 20 Midas Avenue Olympus Pretoria East
Postal address	:	PO Box 2608 Faerie Glen Pretoria	PO Box 2608 Faerie Glen

South Africa
0043

Tel	:	012 940 8156	012 940 8156

5.36 It was also noted that on a quotation dated 14 March 2013 submitted by Kriminalistik, the registration numbers of both Crimetech and Kriminalistik are reflected, which in the absence of proof of an error, constitutes a misrepresentation (see **Exhibit 47**). At the time of our investigation, the confirmation of payment of this quotation, was outstanding.

5.37 In the declaration of interest (SBD 4, paragraph 2.11) that accompanied the abovementioned quotation it is declared that Ms Dlugosz, as member of Kriminalistik, does not have *"any interest in any other related companies whether or not they are bidding for this contract"* (see **Exhibit 48**).

5.38 It further appears that Ms Komodolowicz and Mr Deale were, during 2010, members of the following entity:

Name	:	Komodealowicz Technologies CC
Registration number	:	2010/ 076674/ 23
Registration date	:	27 May 2010
Members	:	Deale, Johan Henry, ID 590904 5033 088 Komodolowicz, Jolanta Regina, ID 740519 0859 185
Address	:	Network Complex 3A Cnr of Eddeson and Bell Street Henopspark 0157

(see **Exhibit 49**)

South African Police Service — Suid-Afrikaanse Polisiediens

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Your reference/U verwysing:

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THE DIVISIONAL COMMISSIONER
HUMAN RESOURCE MANAGEMENT
SOUTH AFRICAN POLICE SERVICE
PRETORIA
0001

Mr N Theledi
Police and Prisons Civil Rights Union
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2000

INVESTIGATION OF ALLEGATIONS BY POPCRU: FORENSIC SCIENCE SERVICES

The above matter refers.

Your office has requested a copy of page 74 of the above mentioned report.

Advocate Van Nieuwenhuys, a Director at CPN Forensic & Accounting Services, the Company which conducted the investigation and compiled the report, has since confirmed that the above mentioned report does not have a page 74 (see attached copy).

The report in your possession is therefore a complete investigation as done by the Company.

As previously agreed, your inputs / comments regarding the report are therefore expected as soon as possible, but not later that next week Thursday, 2015-12-10.

We hope you find the above in order.

L. Ntshiea

LIEUTENANT GENERAL
DIVISIONAL COMMISSIONER: HUMAN RESOURCE MANAGEMENT
L NTSHIEA

Date: 2015: 12: 03

6. Procurement irregularities: Eastern Cape Information

Introduction and background

6.1 POPCRU alleged that a Pretoria based official acknowledged receipt of goods received in the Eastern Cape. Due to the vagueness of the allegation, POCRU was requested for more particulars.

Summary of facts

6.2 POPCRU indicated that Col Moonsamy of the East London LCRC would be able to provide information in this regard. Col Moonsamy was interviewed with regard to this allegation and he indicated that he has no knowledge of this matter.

6.3 In the light thereof that no other information has been forthcoming that would enable an investigation into the allegation, this allegation was not further investigated.

7. Human Resource: Fraud case (CAS 1519/03/2011)

Introduction and background

7.1 It was alleged that senior SAPS managers attended the fraud case of Lt Col Moorghla-Pillay without authorisation or approved annual leave. In addition no disciplinary action was instituted against the said employee accused of committing fraud against the SAPS.

7.2 Reference is hereunder made to ranks at the time of the alleged incidents.

Summary of facts

7.3 An incident was reported by the Div Comm of Training, G.J. Kruser, to the Div Comm, National Inspectorate, according to a letter dated 4 June 2009 compiled by Div Comm, MJ Rasegatla. It was requested that the National Inspectorate enquire about an event that took place at the Pretoria West Training Institution.

7.4 Lt Genl Kruser wrote in a letter dated 29 May 2009 that he received numerous complaints regarding an event that was held at the Training Facility on 29 May 2009. The complaints revolved around the loud music from the SAPS band and other loud noise emanating from where the event took place. The event took place during working hours and caused disruption to various meetings and other functions according to the contents of the letter. Lt Genl Kruser requested an independent investigation into the occurrences on the specific day (see **Exhibit 50**).

7.5 It was reported by the Section Head of the National Inspectorate, Director H.C. van Zyl in a letter dated 2 June 2009 that an enquiry was made into the intention, arrangement, procurement procedure, financial authorisation and the actual event that took place on 29 May 2009 at the East Hall of the Pretoria West Training Institution, after it was reported to the National Inspectorate on 1 June 2009. The report included the following information:

- A written application was made by Capt Moorghia-Pillay, the Staff Officer of the Div Comm: Personnel Services, Div Comm Phahlane, to the Training Institution for a personnel services work session;

- Capt Moorghia-Pillay explained verbally that it was a special event and that a special breakfast was required for 50 attendees;

- A quotation for R190.00 per attendee was provided by Capt Matthee;

- The detail of members at the Personnel Services Division who were involved with the financial authorisation process:

  - Capt Moorghia-Pillay submitted an application for the financial authorisation for the work session to be held on 29 May 2009 supported by a quotation in the amount of R9 500.00;

  - Senior-Superintendent Reddy approved the application;

  - Director Stratford also approved the application;

- Attached to the application referred to above, was an agenda and a name list of personnel that were to attend the meeting on 29 May 2009;

- The purpose of the meeting on the agenda was reflected as "Feedback on visits to Provinces and Divisions";

- The commencement time was scheduled for 7h30 to 8h00 and lunch was scheduled for 13h00 to 14h00;

- *"That it was never the intention of Capt Moorghia-Pillay to arrange a work session and her intention was to arrange a breakfast to celebrate the birthday of the Divisional Commissioner Phahlane which is evident from the following:"*

  - The SAPS band was booked for the event from 08h00 to 10h00.
  - The band was asked to play the "*Happy Birthday*" song.
  - Music was provided throughout the event.
  - Various speakers at the event congratulated Div Comm Phahlane with his birthday.
  - No minutes of the meeting were available and no feedback was given in accordance with the agenda.
  - Director Malebe-Thema was responsible for setting the round tables at the venue the evening before the event.
  - All cutlery, tablecloths and other decorations were provided by employees of the Personnel Services Division.
  - Tables were set for a breakfast and not for a work session.
  - A birthday cake was also provided by the employees of Personnel Services Division.
  - The event finished at about 11h00 after which members left the venue.

- In conclusion it was stated that although the correct financial procurement procedures were followed, it was done "*under false pretences*".

7.6 Director van Zyl further stated in his report dated 25 May 2009 (see **Exhibit 51**) that "*it was his personal view that this incident and expenditure was no different from other expenditure that Divisions at Head Office incur when workshops over a period of 2 or 3 days, were held at private game lodges and other luxury facilities. It was common knowledge that events such as game drives were provided by these venues which were included in the negotiated prices*".

7.7 It was recommended by Director van Zyl that the incident be discussed in order to determine whether further investigation into the incident and similar incidents were necessary. Director van Zyl further submitted documentation relevant to the event as was noted in a letter dated 8 June 2009 (see **Exhibit 52**).

7.8 In a letter dated 18 June 2009, Div Comm Rasegatla notified the Div Comm: Personnel Services that an investigation has been instituted emanating from an enquiry relevant to the nature and authorisation of an event held on 29 May 2009 at the SAPS Training College (see **Exhibit 53**). It was stated that Director van Zyl was appointed to investigate the preceding administration and authorisation of the said event and it was requested that the employees who were involved in same, needed to be served with notices of the departmental investigation. These employees included Director Stratford, Senior-Superintendent Reddy and Capt Moorghia-Pillay. It was also requested that the copies of return of services of the notices, be forwarded to Director van Zyl by 18 June 2009.

7.9 From an email dated 18 October 2010 addressed to Genl Booysen, it was noted that Lt Genl Dramat had stated that Col Naidoo was appointed to assist the Office of Div Comm Rasegatla with an investigation into above mentioned events (see **Exhibit 54**).

7.10 In a letter dated 12 May 2011 and addressed to the Deputy National Commissioner, Directorate of Priority Crimes Investigation, the writer of same, Col Naidu (sic), stated that CAS 1519/03/2011 related to alleged fraud committed by two members, being Lt Col Moorghia-Pillay and (former) Brig Malebe-Thema was opened (see **Exhibit 55**).

7.11 According to an information note dated 29 May 2012, Lt Genl Phahlane stated that he became aware of rumours regarding an investigation into the event that took place on 29 May 2009. Nothing happened relevant to same until the arrest of the two members (see **Exhibit 56**).

7.12 Lt Col Moorghia-Pillay and Brig Malebe-Thema were arrested on 11 May 2011 and granted bail in the amount of R1 000.00 each. They appeared in the Regional Court and were acquitted in terms of section 174 of Act 51 of 1977 on 18 June 2012 (see **Exhibit 57**).

7.13 We were informed by the legal representative of the two members, that they are considering civil action against the SAPS relevant to their arrest.

CAS 1519/03/2011

7.14 Col Naidu from the Directorate of Priority Crimes Investigation Unit was appointed as the investigating officer of the SAPS.

7.15 It was alleged that the two accused, Lt Col Moorghia-Pillay and former Brig Malebe-Thema committed fraud.

7.16 Col Naidu reported to the Deputy National Commissioner, Directorate of Priority Crimes Investigation Unit in a letter dated 12 May 2011 (see **Exhibit 55**), that the investigation related to an allegation of the abuse of government funds which were utilised to host a private birthday party for Lt Genl Phahlane who at the time of the alleged offence was the Divisional Commissioner for Personnel Services. According to Col Naidu's letter the application for financial authority was disguised as though a workshop was to be arranged for a feedback session on visits to Provinces and Divisions.

7.17 According to Col Naidu it was alleged that during May 2009, Lt Col Moorghia-Pillay, the staff officer to Lt Genl Phahlane, approached the Pretoria West Police Training Institution to secure a venue for 29 May 2009 for a function. After securing the facility, she met with officials of the college to discuss the breakfast arrangements and she mentioned it was a special function and therefore a special menu was required. The cost of the menu was R190.00 per person.

7.18 We sourced copies of the case docket and the J15 charge sheet (Case 14/00759/2011) and perused the contents thereof.

Disciplinary action against the two arrested members

7.19 We consulted with Brig Mmolawa on 5 June 2013 regarding the lack of institution of disciplinary action against the two arrested members. She alleged that she was not made aware of the arrests although she is the Section Head and the investigating officer of the case did not inform her regarding same. He did not exchange information nor did he provide feedback subsequent to the arrests. She however confirmed that in terms of standard procedure, upon receiving information regarding the arrest of a member, a disciplinary process / procedure must be instituted.

7.20 Lt Genl Phahlane stated in the information note dated 10 July 2012, that the investigation and subsequent arrest and trail of the two members were malicious and aimed at attacking the integrity of himself. He informed the National Commissioner that there will be no departmental steps taken against Lt Col Moorghia-Pillay. At the same time he requested the National Commissioner to make a decision relevant to same. Brig Malebe-Thema resigned in the interim (see **Exhibit 58**).