



FORENSIC INVESTIGATION ON
BEHALF OF THE SEDIBENG TVET
COLLEGE INTO THE ALLEGED
IRREGULAR TRANSFER OF COLLEGE
FUNDS

17 March 2016

Private and Confidential



17 March 2016

Dr TJ Maloma
Chairperson of the College Council
Sedibeng TVET College
37 Voortrekker Street
Vereeniging
1930

Dear Dr Maloma

INVESTIGATION ON BEHALF OF THE SEDIBENG TVET COLLEGE INTO ALLEGED IRREGULAR TRANSFER OF FUNDS

Attached hereto please find our report in respect of our forensic investigation into the above mentioned matter.

Our report is set out under the following headings:

1. Background and mandate;
2. Scope and Limitations;
3. Procedures performed;
4. Findings;
5. Conclusions; and
6. Recommendations.

Should you require further information, please do not hesitate to contact Peter Goss on (011) 231 0600 or 082 652 0024.

Yours faithfully,



Pontso Nyathi

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GLOSSARY OF TERMS AND ABBREVIATIONS

Throughout this document, unless otherwise stated, the words in the first column have the meanings stated opposite them in the second column.

TERMS

AO	Accounting Officer
CC	Council Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DHET	Department of Higher Education and Training
DOA	Delegation of Authority
EXCO	Executive Committee
FINCOM	Financial Committee
FSP	Financial Services Provider
IAM	Investec Asset Management
NASFAS	National Student Financial Aid Scheme
Sedibeng	Sedibeng TVET College
SCM	Supply Chain Management
SNG	SizweNtsalubaGobodo
TVET	Technical Vocational Education and Training

INDIVIDUALS

Ms Dookie	Prishka Dookie: IAM FSP, Investec
Ms Dutoil	Shirley Dutoil: Financial manager, Sedibeng
Ms Gumede	Siwe Gumede: Investment specialist, Nedbank
Mr Karolia	Yusuf Karolia: IAM FSP, Investec
Dr Maloma	Tsietsi John Maloma: CC Chairperson, Sedibeng
Ms Malusi	Zintle Malusi: IAM FSP, Investec
Ms Mohapelo	Seipati Mohapelo: Assistant Director, Office of the Executive, Sedibeng
Dr Mashele	Abe Mashele: CEO, Sedibeng
Mr Mothapo	George Mothapo: Deputy Principal, Sedibeng
Ms Mosesi	Jackey Mosesi: Deputy Principal and Secretary of the CC, Sedibeng
Mr Mpofo	Felix Mpofo: CFO, Sedibeng
Prof Naidoo	Prakash Naidoo, FINCOM member, Sedibeng
Mr Netshivhale	Rudolph Netshivhale: FINCOM Chairperson, Sedibeng
Mr Rizwanane	Ralliom Rizwanane: FSP, Gundo Wealth Solution



LIST OF ANNEXURES

Annexure 1	Copy of Letter of Engagement dated 5 February 2016
Annexure 2	Copy of a consolidated Capital Development Fund Schedule dated 13 July 2015
Annexure 3	Copy of statements in respect of the fixed deposit account
Annexure 4	Copy of Financial Policy dated November 2013
Annexure 5	Copy of Delegation of Authority
Annexure 6	Copy of the minutes of the CC meeting held on 30 July 2015
Annexure 7	Copy of the minutes of the CC meeting dated 29 November 2015
Annexure 8	E-mail correspondence dated 2 December 2015 from Dr Maloma to Dr Mashele suspending the SCM policy
Annexure 9	Copy of the memo addressed to Dr Mashele by Dr Maloma where Dr Maloma suspended the SCM policy
Annexure 10	Copy of an undated DHET Recommended Delegation of Authority Framework for TVET College
Annexure 11	Copy of the Banking and Investment policy dated "July 2015"
Annexure 12	E-mail correspondence with Bidvest bank dated 27 October 2015
Annexure 13	E- mail correspondence from Ms Malusi to Mr Mpofo dated 27 October 2015
Annexure 14	Copy of a Sedibeng TVET investment rates schedule dated 4 November 2015
Annexure 15	Copy of a FINCOM meeting resolution dated 5 November 2015
Annexure 16	Copy of resolutions of the FINCOM of the Sedibeng TVET College dated 9 November 2015
Annexure 17	Mr Netshivhale's commissioned affidavit dated 16 March 2016
Annexure 18	Copy of an undated and unsigned document from the CFO addressed to Chairman of FINCOM
Annexure 19	Copy of an investment memo dated 6 January 2016
Annexure 20	Prof Naidoo's commissioned affidavit dated 15 March 2016
Annexure 21	E-mail correspondence from Mr Mpofo to Mr Netshivhale, Dr Mashele and Prof Naidoo, dated 8 January 2016
Annexure 22	Copy of a resolution of the council of Sedibeng dated 9 November 2015
Annexure 23	Mr Mosesi's commissioned affidavit dated 16 March 2016
Annexure 24	Copy of an Investec bond application form signed on 13 January 2016
Annexure 25	Email correspondence between Mr Mpofo and Ms Dookie dated 14 January 2016
Annexure 26	Copy of a letter from Standard Bank Corporate and Investment Banking Operations client services dated 14 January 2016
Annexure 27	Email correspondence between Mr Mpofo and Ms Dookie
Annexure 28	Copy of a requisition for payment signed on 13 January 2016
Annexure 29	Copy of audit trail for the transfer of funds from the ABSA account to Investec account number 001668609 on 18 January 2016
Annexure 30	E-mail correspondence from Mr Mpofo to Ms Malusi on 19 January 2016

Annexure 31	Copy of a letter from Rooth & Wessels Attorneys dated 21 January 2016
Annexure 32	Copy of a confirmation of R150 million investment dated 25 January 2016
Annexure 33	Copy of a letter from IAM 16 addressed to Sedibeng dated 28 January 2016
Annexure 34	Copy of the letter dated 10 March 2016 addressed to Sedibeng by Investec confirming receipt of an amount of R150 million on 18 January 2016
Annexure 35	E-mail correspondence between Mr Rizwanane and Ms Gumede dated 21 October 2015 to 10 November 2015



1. BACKGROUND AND MANDATE

- 1.1 Based on our Letter of Engagement (“LOE”) dated 5 February 2016 (**Annexure 1**), Sedibeng TVET College (“Sedibeng”) required us to conduct a forensic investigation into the alleged irregularities relating to the transfer of R150 million from the College’s ABSA account.
- 1.2 The alleged irregularities to be investigated are as follows:
- (a) The circumstances around the transfer of an amount of R150 million from the College’s ABSA account to Investec/Standard Bank;
 - (b) Whether the Principal was authorised to transfer the amount of R150 million to Investec/Standard Bank;
 - (c) Whether proper procedures were followed in the transfer of the R150 million; and
 - (d) The involvement of 3rd parties in the said transfer.

2. SCOPE AND LIMITATIONS

- 2.1 SNG was not required to, and therefore did not undertake an audit in terms of the International Standards of Auditing. The scope of SNG’s work was limited to a review of the documentation and information provided to us during the course of our investigation. This covered the period of the investment of the funds transferred in January 2016. SNG has not authenticated the relevant records and documentation provided to us.
- 2.2 The purpose of SNG’s forensic investigation was to consider and review the available documents, financial records and other relevant information obtained during our investigation and ultimately to prepare a report on the factual findings in relation thereto.
- 2.3 SNG has attempted to include information relevant to the execution of our mandate. However, it is possible that documents and information exist which were not made available to us or that SNG was unable to locate. Any documents or information brought to our attention subsequent to the date of our fieldwork, which could affect our findings, may require our findings to be adjusted and qualified accordingly.
- 2.4 This report is neither designed nor intended to provide legal advice and/or a legal opinion and should not, and cannot, be so construed.

2.5 This report was prepared solely for the purposes of reporting on our findings to Sedibeng. No part of this report may be quoted, referred to or disclosed in whole or in part, to any other party, without our prior written consent.

3. PROCEDURES PERFORMED

3.1 We consulted with the following relevant parties amongst others for purposes of our investigation:

- (a) Dr Maloma;
- (b) Dr Mashele;
- (c) Mr Mpofu;
- (d) Prof. Naidoo;
- (e) Mr Netshivhale; and
- (f) Ms Mosesi.

3.2 We obtained and reviewed the following documentation:

- (a) Minutes of the CC committee meeting held on 30 July 2015;
- (b) CC resolution relating to the meeting held on 30 July 2015;
- (c) Minutes of the FINCOM meeting held on 5 November 2015;
- (d) Resolution of the FINCOM of Sedibeng signed on 8 November 2015;
- (e) Undated resolution of the Board of directors of Sedibeng;
- (f) Investec bond application form signed on 13 January 2016;
- (g) Audit trail for the transfer from ABSA to Investec for R150 million;
- (h) Cheque requisition in respect of the payment to Investec signed on 18 January 2016;
- (i) Email correspondences between various parties;
- (j) Confirmation of R150 million investment dated 25 January 2016;
- (k) Letter from Roth & Wessels attorneys dated 21 January 2016; and
- (l) Investments memo dated 6 January 2016
- (m) Investment Summary and Investment certificate from Investec; and
- (n) Letter dated 10 March 2016 from Investec confirmation receipt of funds.

3.3 We obtained and reviewed copies of the following legislative prescripts and policies/procedures:

- (a) Banking and Investment policy;
- (b) Financial policy;
- (c) DHET Developed Delegation of Authority Framework; and
- (d) Companies Act 71 of 2008.



4. FINDINGS

4.1 Our findings are set out under the following sub-headings:

- A. Background to the transferred funds;
- B. Transfer of the funds; and
- C. Third parties involvement.

A. BACKGROUND TO THE TRANSFERRED FUNDS

4.2 Mr Mpofu informed us that Sedibeng had surplus funds in its bank account and needed to invest the same with institutions that offer higher investment returns. He further indicated that the surplus funds were transferred from the current account to the call account on a regular basis in the previous year. The call account does not have high investment returns. Over the years, the funds continued to accumulate in the call account to a level where Sedibeng had large amounts of money sitting in the call account but not earning maximum interest.

4.3 Mr Mpofu informed us that Sedibeng's revenue stream is made up of approximately R33 million which it receives as government subsidy and approximately R55 million from NSFAS. The funds are deposited into an ABSA account number 4060278011, held in the name of Sedibeng. He further informed us that annually Sedibeng spends approximately R50 million for their day to day expenses. Therefore there are excess funds at the end of the year which are transferred to an ABSA call account.

4.4 In 2014, Mr Mpofu decided that if these funds could be invested they could generate more interest rather than sitting in the call account where they were earning minimum interest. In this regard, he requested and obtained quotations from financial institutions and then compiled a consolidated Capital Development Fund Schedule dated 13 July 2015 (**Annexure 2**). The said schedule indicates interest rates offered by various banks if the funds were invested over a period of time ranging from one (1) month to twelve (12) months. Mr Mpofu informed us that he discussed the investment quotations with the Sedibeng CEO, Dr Mashele who indicated that Sedibeng did not have an investment policy therefore he could not approve investment decisions. Dr Mashele confirmed to us that he did not approve the investment options presented to him by Mr Mpofu, citing the same reason.

- 4.5 Whilst awaiting the formulation of an investment policy, Mr Mpofu informed us that he opted to invest the funds in a fixed deposit facility for periods ranging from 32 to 90 days as it had better interest returns compared to the ABSA call account. The fixed deposit account is held at ABSA, in the name of Sedibeng, with an account number 2074539326. Mr Mpofu indicated that according to the financial policy, investments for a period of six (6) months and older require an investment policy to be in place. Whilst awaiting the approval of the investment policies and long term investment thereof, he reinvested the funds into the same fixed deposit account whenever the funds reached maturity. The final fixed deposit was made on 18 December 2015. It matured on 15 January 2016. The bank statements in respect of the fixed deposit account are attached hereto as **Annexure 3**.
- 4.6 According to section 1.3.3 of the Financial policy (**Annexure 4**) *“The Financial Committee is responsible for the decision-making with respect to the following aspects:*
- a. *Investments*
 - b. *Expenses/Expenditure*
 - c. *Delegating of functions*
 - d. *Banking matters...”*
- 4.7 According to section 17 Delegation of Authority (“DOA”) of the financial policy (**Annexure 5**), short term investments of up to six (6) months are prepared by the CFO and approved by the CFO and Principal. The CC and EXCO are consulted on the investment matter. There is no documentary evidence that the CC and EXCO were consulted on this matter. Mr Mpofu indicated that he did not consult the CC and EXCO since the investments were within ABSA and were for short periods of time.
- 4.8 The need for an investment policy was communicated to the CC and the FINCOM. The minutes of the CC meeting held on 30 July 2015 (**Annexure 6**) indicates that the FINCOM reported to the CC on the financial policy and investment policy. A decision was made that CC should be given time to apply their minds and to go through the policies in detail and send their comments and inputs to the FINCOM Chairperson or the CFO. The minutes further indicated that CC approved the policies as interim until the next CC meeting for final approval; the policy could however be implemented in the interim. This was confirmed by Dr Maloma who indicated that the policies were to be implemented after the said meeting.



- 4.9 The minutes of the CC meeting further states that *“A clause was put on Page 6 under 5.4 indicating that, “The College shall never use any third party to facilitate its investments”*. We noted that this clause was not added to the final investment and banking policy that was provided to us. Mr Mpofu indicated that it was his duty to amend the policy with the clause and the policy we were provided might not have been the updated policy as he recalls amending the policy with the clause. He, however, did not provide us with the amended policy.
- 4.10 Dr Mashele indicated that the approval of the policies was not tabled on the next CC meeting that was held on 29 November 2015 as had been indicated in the previous CC meeting. Minutes of the CC meeting dated 29 November 2015 (**Annexure 7**) confirmed that the policies from DHET were discussed instead and investment policy was not part of the policies supplied by DHET. Dr Maloma indicated that these policies from the DHET were supposed to be implemented and supersede the previous policies that Sedibeng was using. He further indicated that there were disagreements during the meeting between the FINCOM and the Principal with regards to the policies although 25 out of 28 policies were approved. Mr Mpofu indicated that in the absence of the banking and investment policy from the DHET they continued to use the existing policy formulated by Sedibeng.
- 4.11 Dr Maloma indicated that there were concerns which were raised by the CC members after the meeting regarding the policies, and he gave an instruction through an email to suspend all the policies pending a FINCOM resolution. Dr Mashele indicated that he did not follow the instruction as the policies had been approved in a CC meeting and a decision to suspend them could not be made by Dr Maloma alone without a CC meeting being held and a resolution in that regard taken. He further indicated that he could implement the policies if need be since these were approved by CC.
- 4.12 In response to the above assertions by Dr Mashele, Dr Maloma informed us that he did not suspend the policies without consulting the other CC members. He further indicated that when he sent the email suspending the policies, he copied the CC members and management of the college. In this regard he provided the email correspondence (**Annexure 8**) dated 2 December 2015, addressed to Dr Mashele. In the same email, Dr Maloma copied other members of CC and management of Sedibeng. Attached to the email is a memo (**Annexure 9**) addressed to the Dr Mashele where Dr Maloma articulated various concerns relating to financial management. Dr Maloma further highlighted his interim decision which included suspension of Supply Chain Management (“SCM”) policy.

- 4.13 Prof Naidoo confirmed the email to suspend the policies was sent to CC and management and no one objected to the email. He further indicated that the Principal reports to the CC therefore Dr Mashele should abide by the CC instructions. The chairperson of FINCOM, Mr Netshivhale, also confirmed that Dr Maloma consulted the members of the CC about suspending the SCM policy. Based on the above, Dr Mashele's assertions that Dr Malomo suspended the policies without consulting other members of the CC are not true. It is evident on the email and memo where such policy suspension was communicated that other members of CC were copied. Therefore Dr Mashele knew that other members of the CC were aware of such suspension of the policy.
- 4.14 When we asked Mr Netshivhale the relevance of SCM policy to the investment transaction under review, he informed us that SCM policy is the overarching policy for all other policies. According to Mr Netshivhale, the SCM policy prescribes the process to be followed once the decision to invest has been taken. Had the decision to invest been taken through proper processes, the SCM policy would have kicked in the form of obtaining quotations from various banks and selecting the best quotation in line with SCM policy.
- 4.15 Section 7.1.15 of DHET Recommended Delegation of Authority Framework for TVET College (**Annexure 10**) states that approval of any new policies and any major or significant amendments thereto is recommended by AO to CC and the approval is by the CC. The decisions made with regards to the approval of the policies were the responsibility of the CC.
- 4.16 To implement the banking and investment policy approved by CC on 30 July 2015 Mr Mpofu went ahead and obtained the quotations of investment rates from financial institutions. The Banking and Investment policy dated "July 2015" (**Annexure 11**) states that "*Funds required for in order to satisfy working capital and capital expenditure for the year must be invested in the following major banks*
Absa
Nedbank
Investec
FNB
Standard Bank
Bidvest Bank"
- 4.17 Mr Mpofu indicated that he obtained quotations from the banks as indicated in the policy. We noted email correspondence dated 27 October 2015 (**Annexure 12**) with quoted investment rates from Bidvest. For Investec, we noted that investment rates were sent through email from Ms Malusi

to Mr Mpofu and Mr Rizwanane from Gundo was copied on the email (**Annexure 13**) on 27 October 2015.

- 4.18 The investment and banking policy states that *“Once the verbal investment quotations have been recorded, written confirmation of the telephonic quotation must be immediately obtained (by email or any other expedient means)”*. We were not provided with emails or other communication used to obtain the investment rates from other banks. Mr Mpofu indicated that he had obtained them telephonically only. This is contrary to the policy.
- 4.19 We noted from the schedule dated 4 November 2015 (**Annexure 14**) comparing the different rates provided by ABSA, Investec, Nedbank, FNB and Bidvest, that Investec offered the highest rates. We also noted that Standard Bank, as one of the banks listed in the policy, was not considered in the schedule. Mr Mpofu indicated that he could not get hold of Standard Bank to provide him with its investment rates. The said schedule has a space for approval by FINCOM Chairman, there is no indication that it was approved. It was not signed by Mr Netshivhale.
- 4.20 Mr Netshivhale informed us that on 5 November 2015, the above quotations from various banks were discussed at FINCOM. Based on the information provided to FINCOM by Mr Mpofu, Mr Netshivhale stated that FINCOM resolved to invest the funds in the manner detailed in the resolution. An unsigned FINCOM meeting resolution dated 5 November 2015 (**Annexure 15**) states that the following investments should be made *“Resolved that R30million invested for 32 days with Nedbank, R100m invested for 3 months with ABSA and R150m invested with Investec for 5 months and the committee to review the investments at the end of the next quarter. The management to open investment accounts with reputable (banks) that are listed in the policy”*.
- 4.21 Mr Netshivhale indicated in line with the above FINCOM resolution, Mr Mpofu prepared two resolutions in respect of investment with Nedbank and Investec respectively. The said resolutions (**Annexure 16**) obtained from Mr Mpofu states as follows:
- “We, the undersigned, being the members of the Sedibeng TVET College (the College) finance committee, hereby note and consent in line with a meeting that was held on the 5th November 2015 adopt the following resolutions.*
- Investment with Nedbank*
- It was resolved in line with the policy that an Investment account be opened with Nedbank where an amount of R30,000,000 (Thirty Million Rand) will be invested for a 32 day period*
- Investment with Investec*

It was resolved in line with the policy that an investment account be opened with Investec where an amount of R150, 000,000 (One Hundred and Fifty Million Rand) will be invested for 5 months”.

- 4.22 The above two resolutions were signed by Mr Mpofu and Mr Netshivhale on 8 November 2015. According Mr Netshivhale, the said resolutions were supposed to be tabled at CC meeting in order to seek approval of the CC. Mr Netshivhale mentioned that before the resolution could be tabled at CC meeting, he asked Mr Mpofu if there would be any bank charges in the transfer of funds from ABSA to Investec and Nedbank. In response to his enquiry, Mr Mpofu informed Mr Netshivhale that there would be once off initiation fees of 2% with both banks.
- 4.23 In view of the new information relating to 2% initiation fees, Mr Netshivhale apparently informed Mr Mpofu that the resolutions signed on 8 November 2015 would no longer be applicable as they do not make mention of the said information. As a result thereof, Mr Netshivhale asked Mr Mpofu to provide him with those resolutions in order to discard them, which according to him he discarded (tore apart) in front of Mr Mpofu.
- 4.24 Mr Mpofu responded that Mr Netshivhale did not discard the original resolutions and that he (Mr Mpofu) still had in his possession the original resolutions signed by Mr Netshivhale. Mr Mpofu provided us with the said original resolutions signed by Mr Mpofu and Mr Netshivhale. We then presented the original resolutions to Mr Netshivhale, and he confirmed that they were indeed the originals he thought he discarded. Mr Netshivhale concluded that Mr Mpofu provided him with colour copies of the resolutions, which appeared to be originals. It appears thereof that Mr Mpofu did not provide Mr Netshivhale with original resolutions as requested, instead, he provided him with copies of the same.
- 4.25 Mr Netshivhale indicated that he did not approve the investment after he learnt from Mr Mpofu in December 2015 that there would be a 2% fee that would be paid upon investing the funds. Furthermore, this was not made known to him at the time when he signed the resolution, and would not have signed had he known this information.
- 4.26 Mr Netshivhale informed us that when he discarded the resolution, he indicated to Mr Mpofu that a new resolution would need to be prepared, signed by the Principal, CFO and himself, and then presented to FINCOM in order to afford FINCOM an opportunity to consider the new information relating to 2% initiation fees. Mr Netshivhale’s affidavit in this regard is attached hereto as **Annexure 17.**

- 4.27 An undated and unsigned document (**Annexure 18**) from the CFO addressed to Chairman of FINCOM was provided to us by Mr Mpofu. The said document states the following, amongst others, *"...for further clarity there is no charge to move the funds from ABSA although there will be once off bank investment initiation fee by investec and nedbank (up to maximum of 2%) in order to set up our portfolios with the net returns still being higher than what the rest of the market is currently offering. Please may we have the signed resolutions so we can invest these funds before the end of the year and avoid audit findings in this area"*. We noted handwritten comments on the said document which reads as follows:
- "Proposed Investment name;*
Rate % 8.14%
Cost involved: %...."etc.
- 4.28 Mr Netshivhale confirmed that he wrote the above handwritten comments when Mr Mpofu presented the document to him. According to Mr Netshivhale, the comments were meant to assist Mr Mpofu with the information which Mr Netshivhale wanted the new resolution to include. He further instructed Mr Mpofu to draft the new resolution accordingly. Mr Netshivhale stated that the resolution was never signed as Mr Mpofu failed to secure the meeting of FINCOM where such resolution was supposed to be discussed.
- 4.29 We noted an investment memo dated 6 January 2016 (**Annexure 19**) requesting endorsement from Mr Mpofu, Dr Mashele and Mr Netshivhale, in line with the initial approval by FINCOM on 5 November 2015, so that the funds can be invested. This investment memo was not signed by the parties mentioned. Dr Maloma confirmed that Mr Mpofu asked him to sign the memo but he refused citing that he had suspended the policies including the investment policy.
- 4.30 Mr Netshivhale further indicated that on 7 January 2016 he was presented with the above mentioned investment memo by Mr Mpofu indicating that the Principal had approved and he should also approve the investments. He refused to sign the internal memo as the decision to invest had not been discussed and approved at CC and FINCOM meetings. Further, Mr Netshivhale noted that the memo was still not signed by the Principal contrary to Mr Mpofu's version.
- 4.31 Mr Mpofu responded that the investment memo was given to Mr Netshivhale who made changes to the memo for Mr Mpofu to amend before he could sign. Mr Mpofu indicated that upon the amendment of the investment memo as per his instruction, Mr Netshivhale still refused to sign the investment memo for reasons unknown to him. Mr Netshivhale stated that Mr Mpofu knew the reason why he did not sign the investment memo as he categorically stated the same to him.

- 4.32 Mr Mpofu indicated that after numerous unsuccessful attempts to get Dr Maloma and Mr Netshivhale to sign the resolutions to invest the funds, he resorted to act on the resolution of 9 November 2015 and proceeded to facilitate the transfer of funds which will be discussed further below.
- 4.33 Prof Naidoo indicated that he received an email from Mr Mpofu on 8 January 2016 regarding the investments memo. Noting that there was a 2% initiation fee, Prof Naidoo responded enquiring from Mr Mpofu if the 2% could be negotiated for a reduction. He further indicated that on the same day he phoned Mr Mpofu specifying that he was not comfortable with the 2% fee that would be charged and he should not invest the funds as yet as he was going to consult other professionals regarding this matter. He further indicated that he was of the opinion that the CC chairperson should have signed the resolution to open the accounts. Affidavit of Prof. Naidoo in this regard is attached hereto as **Annexure 20**.
- 4.34 We noted an email correspondence (**Annexure 21**) from Mr Mpofu to Mr Netshivhale, Dr Mashele and Prof Naidoo, dated 8 January 2016 stating that *"A separate resolution just to open the account will be signed off by the Chairperson of Council and the also the Secretary of Council"*. Mr Mpofu indicated that this was going to be in line with the delegation of authority, however Dr Mashele and Mr Netshivhale agreed that Mr Netshivhale signature as the FINCOM chairperson was sufficient to open the investment account.
- 4.35 Ms Mosesi indicated that in January 2016, Mr Mpofu provided her with the four (4) copies of the resolution of the council of Sedibeng dated 9 November 2015 (**Annexure 22**) which required Dr Maloma and Ms Mosesi to sign. The resolution dealt with the mandate regarding the opening and conduct of the respective bank accounts. She indicated that she refused to sign the resolution as it was an open letter which did not specify which institution the account was to be opened with. Ms Mosesi provided us with an affidavit, which is attached hereto as **Annexure 23**. The resolution was dated 9 November 2015 whilst it was presented to Ms Mosesi in January 2016. There is no indication that these resolutions were signed either by Ms Mosesi or Dr Maloma.
- 4.36 Based on the above, the investment account, which is discussed further below, was opened without a signed resolution of the CC.



B. TRANSFER OF THE FUNDS

- 4.37 Dr Mashele indicated that Mr Mpofu approached him in January 2016 to action the decision to invest funds with Investec where he requested a meeting with Investec representatives. Dr Mashele instructed Mr Mpofu, to set a meeting with the Investec representatives to discuss the investment of funds. Ms Malusi and Mr Razwinane met with Dr Mashele and Mr Mpofu at Sedibeng and presented their investment proposal. Ms Mosesi indicated that she was requested to join the meeting by Dr Mashele, and that she attended the Investec presentation. Before concluding the meeting Dr Mashele asked for the business cards for Ms Malusi and Mr Rizwanane, and he noted that Mr Razwinane business card stated that he worked for Gundo Wealth Solution ("Gundo"). The involvement of Gundo is discussed further below.
- 4.38 Mr Mpofu sent an email to Investec on 13 January 2016 indicating that he was interested in the Investec bond and requesting for the banking details. Ms Dookie responded to Mr Mpofu on the same day and attached an application form (**Annexure 24**) indicating that the banking details were included on the application form.
- 4.39 According to Mr Mpofu, he completed the application forms with the required information and further forwarded the form to Dr Mashele for his approval. Dr Mashele informed us that, whilst perusing the forms, he noted that the bank account, as reflected in the application form, was held at Standard Bank. Mr Mashele was not satisfied with approving the application forms without verifying the Standard Bank account and the link with Investec. In this regard he requested Mr Mpofu to verify the account with Investec.
- 4.40 We noted email correspondence between Mr Mpofu and Ms Dookie (Investec) dated 14 January 2016 (**Annexure 25**) inquiring why the funds were to be deposited into a Standard Bank account. Ms Dookie responded stating the following "*...Investec Asset Management do not hold any bank accounts with Investec Bank due to a conflict of interest and therefore all our bank accounts are held with Standard Bank*". Ms Dookie added that "*...that although we are under the Investec group Investec Asset Management is seen as a separate division to Investec Private Bank*".
- 4.41 Mr Mpofu further sent an email to comm.centre@investecmail.com requesting that the Standard Bank details be verified and that they provide him with a document containing corporate information. Mr Karolia from Investec responded with a letter from Standard Bank Corporate and Investment Banking Operations client services dated 14 January 2016 (**Annexure 26**) confirming

that the bank details were still active in the books of Standard Bank. The letter indicated that the type of account as a “*business current account*”.

4.42 Dr Mashele indicated that he was still not satisfied with the confirmation, he asked Ms Mohapelo to go and verify the account with Standard Bank. According to Dr Mashele, Standard Bank verbally confirmed the bank details as belonging to Investec.

4.43 The banking details which were confirmed are reflected on Section E of the Investec bond application form already attached as **Annexure 24** above and are as follows:

“Name of account: Grayston Nominees (Pty) Ltd Investec Investor Bond

Name of bank: Standard bank

Account no. 001668609”

4.44 The email correspondence between Mr Mpofo and Ms Dookie (**Annexure 27**) indicates that Mr Mpofo was sending emails to an email address reflected as comm.centre@investecmail.com. The correspondence made use of the email: comcentre@investecmail.com. Our internet search of the emails indicated that the email address comm.centre@investecmail.com is used by Investec for reporting fraudulent activities. We were unable to confirm whether the two emails were linked. Mr Mpofo indicated that he was given the email address when he called Investec call centre, the emails were “straight replies” where he replied to the comment straight from email by clicking reply and he indicated that the emails might be linked.

4.45 The completed Investec Bond application form attached as **Annexure 24** above was signed by Mr Mpofo and Dr Mashele on 13 January 2016. Dr Mashele indicated that when he signed the application form, he did not pay attention to what he was signing as he signed the form together with another pack of documents that required his approval. He further indicated that had he known, he would not have signed the application form as he had not yet studied the entire application form.

4.46 A requisition for payment (**Annexure 28**) was prepared by Ms Dutoil on 13 January 2016 with the bank details payable to Grayston Nominees for standard bank account number 001668609 and the completed application form was attached. The requisition for payment was signed by Mr Mpofo on 13 January 2016 and by Dr Mashele on 18 January 2016.

4.47 An audit trail shows the transfer of funds from the ABSA account to Investec account number 001668609 for an amount of R150 million on 18 January 2016 (**Annexure 29**). The audit trail

indicates that the transaction was captured by operator 3, first approved by operator 52 and final approved by operator 51. We noted on the audit trail that operator 3 is Ms Dutoil, operator 52 is Mr Mpofu, and operator 51 is Mr Mothapo. This was in line with the section 17.3 of the financial policy which states that *“Two signatories are required before a cash or cheque payment for goods and services or an electronic transfer can be made”*. Mr Mpofu indicated that the signatories consist of himself, Dr Mashele, Mr Mothapo and Ms Mosesi. Section 17.6 of the financial policy further states that *“Requisitions for payments above R500 000, 00 may be authorised by the Principal* and a designated”*. This was in line with financial policy as the Principal approved the requisition and two signatories could approve the transfer of funds.

- 4.48 There is no supporting evidence that the CC was involved in the opening of the account with Investec. Section 8.4 of the financial policy states that *“Opening and changing of bank accounts authorisation and sign off to the College Council by the Principal”*. Dr Maloma indicated that he was not consulted in this regards before the transfer of the funds.
- 4.49 Dr Mashele indicated that Dr Maloma arrived in his office the day after the transfer of the funds. Dr Maloma apparently indicated to Dr Mashele that he had refused to sign the investment forms that had been provided to him by Mr Mpofu and instructed Mr Mpofu not to invest the funds. When Dr Maloma enquired as to who approved the investment of the funds, Dr Mashele indicated that he was given a batch of papers by Mr Mpofu and he did not know what he was signing. Dr Maloma instructed Dr Mashele to cancel the investment made with Investec.
- 4.50 Mr Mpofu sent an email to Ms Malusi on 19 January 2016 (**Annexure 30**) requesting that the transfer of the funds made to Investec be cancelled. Dr Mashele later received a letter from Rooth & Wessels Attorneys, Gundo Wealth Solution’s lawyer dated 21 January 2016 (**Annexure 31**) informing them that Sedibeng was liable for the 2% initiation fee as per the application form. The letter indicated that Gundo Wealth Solutions submitted a proposal to Sedibeng for the investment of Sedibeng’s funds with various financial institutions. The letter further stated that Gundo Wealth Solutions will be entitled to an initial fee of 2% on placement of the funds. There is no contract between Sedibeng and Gundo Wealth Solutions.
- 4.51 Dr Mashele indicated that he evaluated the transaction and noted that cancelling of the investment was going to be costly. He confirmed that he unilaterally took a decision to continue with the investment using the powers vested in him through delegation of authority. A confirmation of R150 million investment dated 25 January 2016 (**Annexure 32**) signed by Dr Mashele and Mr Mpofu was sent to Investec to proceed with the investment. Dr Maloma confirmed that the Principal

unilaterally made the decision to proceed with the investment with Investec. The CC and FINCOM were not informed.

- 4.52 We noted a letter from IAM addressed to Sedibeng dated 28 January 2016 (**Annexure 33**), with investment certificate and investment summary attached to it. The said investment certificate indicates that the funds are invested in “iSelect Bond” as of 26 January 2016 and their membership number is 542808/416212/INVIB001. The investment summary indicates the investment details as follows:

Total amount invested:	R150 000 000
Total initial fees deducted:	R3 420 000
Interest earned:	R151 027.36
Allocation amount:	R146 731 027.42

- 4.53 The investment summary further indicates that the initial fees are in respect of a Financial Adviser in the name of Mr Rallion Razwinane. The administrator, IMS, did not charge any initial fees.
- 4.54 We requested Investec, through Mr Mpofu, to provide us with the written confirmation acknowledging receipt of funds from Sedibeng. In terms of the letter (**Annexure 34**) dated 10 March 2016 addressed to Sedibeng, Investec confirmed that an amount of R150 million was received by Investec on 18 January 2016.

C. THIRD PARTY INVOLVEMENT

- 4.55 Mr Mpofu indicated that he was informed by Ms Malusi that Investec Asset Management was an aggressive investment therefore an FSP would be assigned to assist Sedibeng with the investment. He further indicated that thereafter he stated communicating with Gundo Wealth Solutions on various occasions. Mr Mpofu stated that at the time he was not aware that Mr Rizwanane was an FSP and realised in November 2015 when Mr Rizwanane sent the bond application forms to him.
- 4.56 Dr Mashele indicated that when he enquired about Gundo Wealth Solutions during the meeting held at Sedibeng, he was informed by Ms Malusi that Investec does not deal directly with investments but make use of the FSP which was Gundo Wealth Solutions in this case. Dr Mashele further indicated that this was the first he heard about Gundo Wealth Solution, and that Gundo Wealth Solution presented themselves as part of IAM not as an FSP.

- 4.57 Ms Mosesi informed us that she noted when the meeting commenced that Mr Razwinane and another gentleman introduced themselves as individuals from Gundo Wealth Solutions. When she later enquired why there were representative from Gundo Wealth Solutions, Ms Malusi responded that Gundo Wealth Solutions representatives were the FSP who will be monitoring the invested funds portfolio so that it will obtain maximum interest. Mr Razwinane added that they assist companies or individuals with their investments portfolios. Ms Mosesi indicated that it was made clear that Gundo Wealth Solutions was an FSP and not part of Investec.
- 4.58 The CC was, however, not made aware that Sedibeng was making use of an FSP in investing these funds with Investec.
- 4.59 Section L of the application form with heading "*FSP appointment*" indicates that the section is to be completed by the investor. The section states that Rallion Razwinane is appointed as the authorised representative of Gundo Wealth Solutions as Sedibeng's financial advisor. Section M of the application form indicated that a financial advisor fee of 2% as an initial lump sum fee. Mr Mpofu confirmed that he completed the above section.
- 4.60 We established through telephone enquiries from the Investec call centre that investors can either invest directly with IAM or make use of an FSP or broker. We also noted various sections from the bond application form which indicate that investors are allowed to make investments directly with Investec, namely:
- a) Section "M" (Financial advisor fee) reads "*Should the fee percentage not be indicated above, the fee will default to zero*".
 - b) Section "I" (Income Withdrawals) "*Investors without financial advisors or invested through the iSelect product platform may not select FundSelect*".
- 4.61 Sedibeng had an option to invest their funds directly with Investec without making use of Gundo Wealth Solutions. Section "I" specifically indicates that there is an option not to use an FSP as Sedibeng invested in iSelect Bond.
- 4.62 We noted email correspondences between Mr Rizwanane and Ms Gumede dated 21 October 2015 to 10 November 2015 (**Annexure 35**) where Mr Rizwanane was sourcing investment rates from Nedbank on behalf of Sedibeng. We further noted from the email correspondence that Mr Mpofu would be updated by Mr Rizwanane on the progress made on Sedibeng.

- 4.63 From the email correspondence, it appears Mr Mpofu started communicating with Mr Rizwanane in October 2015. This was at the time when Mr Mpofu started sourcing quotations from various banks. Mr Mpofu informed us that he requested Mr Rizwanane to assist with the investment rates from Nedbank as he was struggling to contact them.
- 4.64 Dr Mashele indicated he was not aware that Mr Rizwanane was an FSP and that they charged Sedibeng advisor fees. He thought the 2% initial fee was in respect of bank charges. He realised that the 2% was a commission and that Mr Rizwanane was an FSP when he read thoroughly the application form after the transfer of the funds to Investec.
- 4.65 Mr Mpofu indicated that at the time of the transfer of the funds, he knew that Mr Rizwanane was an FSP and an advisory fee was to be charged for their services. We, however, found no evidence that he advised Dr Mashele about the involvement of Gundo Wealth Solutions and accompanying initial fees at the time when Dr Mashele approved the application forms.

5. CONCLUSIONS

- 5.1 The investment policy, as well as FINCOMM resolutions of 5 November 2015 and 9 November 2015 were used as the basis of the R150,000,000. Although the chairman of FINCOM reported that he discarded the resolution of 9 November 2015, Mr Mpofu provided us with the original resolution, which he confirmed he acted upon.
- 5.2 Despite an email from the chairman of the CC sent in December 2015 suspending all policies. Dr Mashele allowed Mr Mpofu to apply the policy. Dr Mashele cited that policies were approved in a CC meeting and therefore he did not consider the suspension of policies through email.
- 5.3 With regards to the investment of funds into a Standard bank account, we confirmed that the said account is held in the name of Investec Investor Bond.
- 5.4 There is no evidence that CC was consulted with the request for approval of opening of the investment bank account as required by Section 8.4 of the financial policy states that "*Opening and changing of bank accounts authorisation and sign off to the College Council by the Principal*". There were attempts by Mr Mpofu to get the resolution signed by Ms Mosesi and Dr Maloma in this effect without success.

- 5.5 The request for transfer of funds was done through a requisition signed by Mr Mpofu and Dr Mashele as authorised signatories in line with section 17.3 of the financial policy which states that *“Two signatories are required before a cash or cheque payment for goods and services or an electronic transfer can be made”*, as well as section 17.6 which states that *“Requisitions for payments above R500 000, 00 may be authorised by the Principal* and a designated”*.
- 5.6 Dr Mashele signed the bond application forms without scrutinising the details, and apparently missed the section about the appointment of Gundo Wealth Solutions as FSP for Sedibeng.
- 5.7 Dr Mashele took a decision to proceed with the investment with Investec, despite the request from the Chairman of the CC to cancel the same. The said decision was taken without the CC and FINCOM engagement.
- 5.8 Gundo Wealth Solution is an authorised FSP contrary to the policy that prohibits the use of third parties. There is also no contract between Sedibeng and Gundo, which was appointed by Sedibeng as its FSP through the bond application forms signed by both Mr Mpofu and Dr Mashele.
- 5.9 Mr Mpofu and Dr Mashele proceeded to invest funds with Investec in contravention of the request from CC that investment policy should include the clause *“The College shall never use any third party to facilitate its investments”*.

6. RECOMMENDATIONS

- 6.1 Sedibeng should consider corrective action, in line with the College’s policies, against the Principal for:
- a) Signing the application form to invest an amount of R150 million without applying his mind to it. This is exacerbated by the fact that he was not aware of the 2% initiation fee that was incurred. This cost Sedibeng an amount of R3 420 000 in initiation fees; and
 - b) Ignoring the express instructions from the Chairperson of Council to suspend policies and to cancel the investment with Investec when it became evident that an investment was done.
- 6.2 We recommend that the CC consider taking corrective action, in line with the College’s policies, against Mr Mpofu for :
- a) Proceeding with investment yet fully aware that Gundo Wealth Solution is an FSP, hence contradicting with the banking and investment policy;

- b) Not fully disclosing to the Principal accordingly regarding the involvement of a third party;
- c) Proceeding with the investment transaction after Prof Naidoo advised him not to proceed;
- d) Not engaging with the CC when investing the funds in a call account with ABSA contrary to Sedibeng policy in that regard; and
- e) Providing the chairman of FINCOM with a copy of the resolution of 8 November 2015 and purporting it to be the original version of the same.

6.3 Sedibeng should consider engaging about registering a case of alleged fraud or corruption with the SAPS for further investigation. This is based on contention that Mr Mpofu deliberately withheld information about appointing an FSP.

6.4 We further recommend that Sedibeng should take legal counsel with particular emphasis on Gundo Wealth Solutions to the Financial Service Board. This is based on the contention that Dr Mashele was purportedly not fully aware of their role as an FSP.

6.5 Engage the Legal Counsel with the view of seeking legal guidance in terms of our recommendations.

6.6 With regards to the administrative issues, we recommend that Sedibeng and CC should consider the following:

- a) The approval of the policies through signing of the actual policy document by relevant officials i.e. the Chairperson; and
- b) Formal correspondences between management and the council members should always be in writing or recorded.

6.7 The funds were invested with Investec for a period of 6 months. Sedibeng and the CC should reconsider leaving the funds in the investment account and start engaging on what to do with the funds upon maturity, a council resolution should then be passed in that regard.