

AUM

SHREE PRETORIA HINDU SEVA SAMAJ

(Established in 1932)

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PBO Ref. No.: 930004205

3 March 2011

Namaste All

Forensic Audit Report

Almost two years ago in February 2009, the community was shattered by devastating news in the media that Naresh Mistry a banker and an official of the SPHSS was allegedly involved in the misappropriation of public funds entrusted to him whilst he was an Absa Bank Agent.

Soon thereafter the public learned that funds belonging to the SPHSS and the Navyug Mandal Education Fund were also allegedly misappropriated and that Naresh Mistry had disappeared. The community was outraged by this news and a concerned group of individuals with the support of many community members took immediate steps and various initiatives to protect the image and interest of the SPHSS. These steps culminated in the establishment of an Interim Executive Committee (IEC) duly elected at a General Meeting in July 2009.

Subsequent thereto the IEC commissioned and approved that a Forensic Audit be conducted to investigate the alleged misappropriation of funds and recovery thereof. The SPHSS was fortunate to have engaged the services of Tayfin Forensics who agreed to conduct the audit free of charge as a service to SPHSS and the community.

We are pleased to report that the Forensic Audit is complete and enclose herewith the Forensic Report signed off by Tayfin Forensics. Whilst the report is self explanatory it is important that we highlight the following as quoted in the Report:

- *Based on the interviews, it became apparent that only a handful of individuals were actively involved in the affairs of the Samaj; ...the trustees and officials relied almost exclusively on such individuals to effectively manage the Samaj notwithstanding the dictates of the constitution;*

- *We traced 27 accounts opened in the name of the Samaj...the extent of cash embezzlement is anyone's guess....no contemporary receipts were available for verification....weak internal controls and benign board of trustees provided the opportunity for the commissioned fraud...members were oblivious to their roles as defined in the Constitution... corporate governance was totally devoid in its application and many breaches of various acts were evinced*
- *The indifference of the Hindu community allowed this default to continue unhindered*

In the interest of accountability and transparency Tayfin Forensics have kindly agreed to respond in writing directly to any member's written query or request within the next 21 days, after which time no further written queries will be entertained . All written queries must be sent directly to Tayfin at their nominated e mail or fax or can be hand delivered at the Tayfin offices in Erasmia (i.e. 562 Main Road / tayfin@taygro.co.za / fax: 012 370 4551).

On behalf of the Community, we place on record the invaluable contribution and our sincere thanks and appreciation to Mahier Tayob of Tayfin who together with his team not only recovered stolen funds but also played a vital role in restoring the pride and dignity of a community tarnished by the past events.

As a community we now need to learn from this bitter experience: we need to ensure that strong governance procedures are put in place and that adherence to the Constitution is a non-negotiable. Most importantly, while we learn from this experience we must also strive to heal our community so that it once again can grow from strength to strength.

Hari Om Tat Sat

**Prof. Pankajbhai Joshi
Chairman of Trustees**

&

**Prakashbhai Hira
President**



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FINAL REPORT

OUR REF: M M TAYOB (ACFEI)

ATTENTION: THE EXECUTIVE BOARD OF TRUSTEES
SHREE PRETORIA HINDU SEVA SAMAJ
P O BOX 1811
LAUDIUM
0037

DATE: 21ST FEBRUARY 2011

RE: EXECUTION OF MANDATE – REPATRIATION OF FUNDS

This letter is issued in furtherance to our Mandate commissioned on the 20th August 2009.

We felt it paramount to respond in a **Letter Report Format** so as to encapsulate in broad terms, our **Assessment and Findings**.

Having observed the **Samaj's** renewed stance, we preserved and worked within the confines of our ultimatum.

BACKGROUND

The **Shree Pretoria Hindu Seva Samaj** was birthed in the 1930's by the Gujrati speaking community, when the need for Gujrati education, language, religion and culture of the mother country arose.

Today the **Samaj** runs a temple, school, crematorium, library and community hall which is host to various religious and community gatherings.

The efficacious running of the **Samaj** is reliant upon community donations, fees et al, ultimately utilising those funds for the benefit of the Hindu community.

Within its structure, the **Samaj** is governed by a board of trustees, supported by various committees each with a nexus to a particular discipline, albeit finances, social development etc.

We are also attentive to the Hindu religious belief of '**Dharma**' and subscription of '**Kshama**' which loosely translates to forgiveness.

We have limited our report to finances only, as this committee is peripheral to the acts of commission and omission that motivated the misappropriation.

OUR MANDATE

Our anterior mandate was to;

1. *Investigate whether fraud was committed;*
2. *The quantification thereof;*
3. *Ascertain the parties involved in the fraud (collaborators if any);*
4. *Engage with ABSA Bank Limited;*
5. *Engage with the curators, Messrs Sechaba Trust in the insolvent estate of Naresh Mistry.*

Subsequent thereto, our Mandate was altered on the 27th April 2010 to focus exclusively on the **repatriation of the funds**, misappropriated by **Mistry**, the manager of the agency of **Absa Bank** limited, wherein the funds were entrusted to.

Captions **1, 2, 3 and 5** were inherently not investigated due to limitations and an adapted Mandate.

Additionally, we were requested to publish an assessment prior to the variation to our Mandate.

THE ALLEGATIONS

It is alleged that the **Shree Pretoria Hindu Seva Samaj (SPHSS)** was defrauded of approximately **R2.1** million rand, by **Mistry**.

The said **Mistry** was cloaked with multiple titles, albeit treasurer of **SPHSS**, secretary of **SPHSS**, accountant of **SPHSS**, de facto trustee of **SPHSS** and bank manager of **ABSA**.

It appears that the **Samaj** was an alter ego of **Mistry**.

OUR APPROACH

Our **Mandate** was formulated, followed by an **Internal Planning Memo**. The memorandum mapped the *process* and *approach* to guide the investigation.

In so doing, letters were dispatched to the President, Vice-Presidents, Trustees, Secretaries and Treasurer's of the **Samaj** informing them of our **Mandate**. The said letters also re-transcribed the dictates of the then Constitution.

Concurrent thereto, we also engaged with the erstwhile **Auditors** to determine the extent of their Audit.

Thereafter numerous letters were dispatched to the **Samaj's** Auditors, wherein pertinent documentation was requested for the purpose of our investigation.

Furthermore, we corresponded with the **Attorneys** representing **ABSA**, with a view to establishing common cause.

OUR APPROACH (cont.)

Sequential to our revised mandate, we exhausted all efforts to declare that **Mistry** was foremost the bank manager of **ABSA**, then a representative of **SPHSS** (in whatever capacity)

Our aspirations were focused on the questionable control systems of the agency, antithetic to the **Samaj's** own.

The approach proved conclusive, with clear and convincing convictions warranting **ABSA** to refund the funds misappropriated.

It must be stipulated that **ABSA**, at all times acted with utmost integrity thereby safeguarding their institutional reputation.

Simultaneously, various interviews were conducted to determine the reasons that engendered the alleged **Fraud**.

FACTUAL FINDINGS / ASSESSMENT

It is stringently emphasised that our **Findings / Assessment** is in no way exhaustive and must not be construed as a traversal of all issues raised.

Our procedure deployed as formerly highlighted is now elucidated and explained in detail hereto.

Based on the interviews, it became apparent that only a handful of individuals were actively involved in the **Samaj's** affairs.

The trustees and officials relied almost exclusively upon such individuals to effectively manage the **Samaj** notwithstanding the dictates of the **Constitution**.

The indifference by the Hindu community allowed this default to continue unhindered.

Mistry, who was both treasurer and accountant, had free reign on the financial affairs of the **Samaj**.

The post-audited financial statements clearly replicated the pre-audited financial statements.

We traced over **27 accounts** opened in the name of the **Samaj**, either directly or by acronym which were omitted in the financial statements.

The extent of any cash embezzlement (*if any*), is anyone's guess. No contemporary receipts were available for verification.

The practice regardless of illegitimacy was widely condoned as we found no evidence defying such practice.

The **weak** internal controls and benign board of trustees provided the opportunity for the commissioned fraud.

The act of omission was profound as most members were oblivious to their roles as defined by the **Constitution** of the **Samaj**.

Corporate Governance was totally devoid in its application and too many, breaches of various acts were evinced.

FACTUAL FINDINGS / ASSESSMENT (cont.)

The **Auditors** appear not to have identified these shortcomings presumably due to an oversight or impaired objectivity.

The casual relationship between **Samaj** officials and the firm of **Auditors** may have contributed to the fragile state of affairs.

The interim committee also signed an agreement with the **Auditors**, the contents of which are confidential.

The established committee of finance appears to be 'push button' insulated with a lack of good sense, understanding or foresight.

The board of trustees, by extension **lacked adornment**.

LIMITATIONS OF SCOPE

The scope of our mandate was limited due to the following factors:

- i. *An altered Mandate.*
- ii. *We could not interview all participants, regardless of the position guarded.*
- iii. *We were unable to interview Mistry, the alleged perpetrator in the commissioned act.*
- iv. *The adoption of the doctrine of rehabilitation as opposed to a punitive eventuality.*

QUALIFICATIONS

Additional evidence may exist and we hereby reserve the right to amend these findings.

Should any relevant information come to light that could have an impact on these findings then we further reserve the right to amend the same even subsequent to publication of this assessment.

It is acknowledged that these findings may not be exhaustive and are only relevant to our mandate.

This report has been prepared to document our findings and it should not be used for any other purpose without the written consent of **Tayfin Forensic and Investigative Auditors**.

We do not accept any responsibility to third parties for breaches of this obligation or for any opinion expressed, information or inferences included in this report.

CLOSING STATEMENT

Based on the aforementioned we shall now proceed to close the **assessment stage** of this investigation.

The reader should take note that subject to future developments this investigation may be re-opened and continued at any stage should we have the mandate to do so.

All parties a privy to this report are welcome to address issues and areas of concern to the authors whom shall then distribute the same to all parties concerned.

This must be concluded within **twenty one days** of publication hereof.

A **Factual Findings Report** is an independently conducted investigation into the operations of entities and the inspection of alleged irregularities.

Our mandate has been sanctioned by an independent entity and has been deployed in the interest of **Justice and Equity** for all parties concerned.

In conclusion and for conspicuous reasons, our report **did not** venture into details of the alleged transgressions, the matrix of subsequent indiscretions or identify the parties involved.


We were also mindful of our Mandators economic prohibitions, protracted legal challenges and even further, fragmented community.

Above all, we preserved our mandate in terms of its **confinement**.

Anticipating your satisfaction,



MR M M TAYOB



MISS S CARRIM