



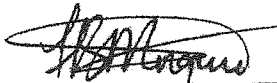
**OFFICE OF THE INSPECTOR-GENERAL OF  
INTELLIGENCE**

**REPORT ON AN INVESTIGATION INTO  
MEDIA ALLEGATIONS AGAINST THE  
SPECIAL OPERATIONS UNIT AND/OR  
OTHER BRANCHES OF THE STATE  
SECURITY AGENCY**



Attached is a report on the findings and recommendations of the Investigation Team established by the Inspector-General of Intelligence to investigate media allegations against the Special Operations Unit (SOU) and/or other branches of the State Security Agency (SSA). The investigation was carried out pursuant to a request from the Minister of State Security, Mr David Mahlobo, MP to the Inspector-General in terms of the provisions of section 7(7) (c) of the Intelligence Services Oversight Act, 1994 (Act 40 of 1994) which provides for the Inspector-General to perform all functions designated to her by a Minister responsible for a Service.

Signed at Pretoria on the 31 day of OCTOBER 2014.



Ambassador Adv FD Radebe  
Inspector-General of Intelligence

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## PART 1: BACKGROUND

### 1.1 Introduction

The Minister of State Security (Minister) requested the Inspector-General of Intelligence on the 26 August 2014 to conduct an investigation into media allegations levelled against the Special Operations Unit and/or other branches of the SSA.

An investigation team was established by the Inspector-General for the purpose of carrying out the investigation. The members of the Investigation Team consisted of the members within the Office of the Inspector-General and each member was issued with a written delegation of function in terms of section 7 (14) of the Intelligence Services Oversight Act, 1994 (Act 40 of 1994) (Oversight Act).

Other members in the Office of the Inspector-General were appointed on the team on an *ad hoc* basis and provided with the necessary written delegations.

### 1.2 Terms of Reference

The Office of the Inspector-General was provided by the Minister with written terms of reference for the investigation as follows:

- a) Investigate the involvement of Special Operations Unit (SOU) and/or other branches of the SSA with Ms. Walter and other persons into the illicit tobacco industry;

- b) Investigate the allegations of a smear campaign by the SOU against top management of the NPA, SAPS and the SARS;
- c) Investigate the alleged infiltration by the SSA into the tobacco industry;
- d) Investigate whether the SOU and/or other branches of the SSA has been involved in the non-compliant utilization of human sources, safe houses, source payment, use of intrusive measures and state resources, as alleged.

### **1.3 Investigation Approach**

As the investigation was based on media allegations the OIGI investigation team commenced with in-depth interviews with members/persons deemed relevant. This was followed by the acquisition of documentation from interviewed persons and the perusal and analysis thereof.

Interviews were conducted with the following persons:

- Mr T Dhlomo - SSA member on the 13 August 2014;
- Mr I Pillay – Acting Commissioner of SARS interviewed on the 19 August 2014;
- Ms B Walter – member of the public interviewed on the 21 August 2014;
- Mr J Van Loggerenberg – SARS member interviewed on the 25 August 2014;
- Mr C Burger - SSA member interviewed on the 26 August 2014;
- Ms M Schlenther - SSA member interviewed on the 27 August 2014;
- Mr K Meiring - SSA interviewed on the 1 September 2014;

- Mr C Burger - SSA member interviewed on the 2 September 2014;
- Mr G Ravele – SARS member interviewed on the 10 September 2014;
- Ms M Mokwena – former SSA and SARS member interviewed on the 11 September 2014;
- Mr I Ismail - SSA PAN member interviewed on the 12 September 2014;
- Ms B Walter – member of the public interviewed on the 12 September 2014;
- Mr J Van Loggerenberg – SARS member interviewed on the 15 September 2014;
- Mr P Richer - SARS member interviewed on the 16 September 2014;
- Mr A Govind - SARS member interviewed on the 16 September 2014;
- Mr B Mhlanga – SSA member interviewed on the 23 September 2014;
- Col H Niemann – SAPS – CI member interviewed on the 29 September 2014;
- Brig C Jonker – SAPS member interviewed on the 30 September 2014;
- Ms R Peach - SSA member interviewed on the 1 October 2014;
- Mr G Ravele – SARS member interviewed on the 17 October 2014.

Interviews proved to be invaluable as the OIGI team could obtain clarity on aspects/issues deemed necessary. Persons requested to attend interviews were very co-operative and in addition provided the team with documentation requested.

An issue that must be brought to the attention of the Minister is the mandate of the IG and the terms of reference of the investigation. The mandate of the IG is the monitoring of the intelligence and counter-intelligence activities of the Intelligence Services which includes the SSA, the Crime Intelligence division of the Police and Defence Intelligence of the Defence. The terms of reference relate to allegations against the SSA and the activities of the SSA in the illicit tobacco industry.

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In the conduct of the investigation, it became necessary to enquire into the allegations made by Ms Walter against SARS which necessitated interviews with members of SARS. The investigation revealed allegations against the conduct of members of SARS that expose unlawful conduct in contravention of the SARS mandate. Whilst being mindful of the fact that scope of the IG's mandate does not extend to SARS, it would be remiss of this office not to report alleged unlawful activities in a state institution, especially as it may involve intelligence and security activities.

As such this report must be read with the draft-report titled 'OIGI report on the alleged interception capability of SARS' submitted to the Minister on the 24 October 2014.

**PART 2: INVESTIGATE THE INVOLVEMENT OF THE SPECIAL OPERATIONS  
UNIT (SOU) AND/OR OTHER BRANCHES OF THE SSA AND MS WALTER AND  
OTHER PERSONS INTO THE ILLICIT TOBACCO INDUSTRY**

In addressing this issue, it the OIGI team deemed it necessary to interview members from the SSA, SARS and Ms Walter, who had lodged the initial complaint against Mr Van Loggerenberg and SARS on the 28 May 2014.

**2.1 Interview: Ms Walter**

The issue of the alleged interception unit in SARS came to the fore through a complaint lodged by a member of the public and attorney, Ms Belinda Walter to SARS on the 28 May 2014. Her complaint was based on allegations that SARS had an interception capability and that her communications were intercepted by Mr van Loggerenberg and other members of SARS.

In response to her dealings with SSA, she confirmed that she approached SSA in 2010 and was initially handled by Mr. Fryer. At that point in time she was not a registered source. Following the departure of Mr. Fryer and the appointment of Mr. Burger as head of the Economic Intelligence Unit (EIU) in the SSA in 2001, she was registered under source number 5332 and handled by Mr. Burger.

Ms Walter who was in an intimate relationship with Mr Johan van Loggerenberg of SARS alleged that from the inception of the relationship in October 2013, Mr Van Loggerenberg alluded to the fact that SARS had interception capabilities and equipment which was expensive and imported. She went on to say that SARS has a covert unit which has been operating since 2008/2009 under the project name "SNOWMAN". She maintains that this covert unit is not approved by the President

or in terms of any legislation and was set up by Mr van Loggerenberg, Mr Ivan Pillay and Mr Gordhan. It is her view that this covert team has been conducting illegal interceptions for political purposes.

According to Ms Walter, Mr van Loggerenberg stated that the interception centre was housed in Brooklyn and overseen by a lady called "Lorraine". She further stated that Mr van Loggerenberg on one occasion showed her live interceptions on his computer. Ms Walter provided the team with a copy of her 'whatsapp' conversations with Mr van Loggerenberg where references were made to interceptions conducted by SARS. A perusal of these revealed that in many instances Mr van Loggerenberg informed Ms Walter that her line is being intercepted and on one occasion (3 February 2014) even warns her that she should be careful on the phone. In one 'whatsapp' message (1 March 2014), Mr van Loggerenberg provided Ms Walter with a transcript on an intercepted communication of one of the persons involved in the tobacco industry. In a message on the 3 March 2014, Mr van Loggerenberg sent Ms Walter in relation to a conversation relating to Sam Sole, a journalist from the Mail & Guardian, Mr van Loggerenberg stated '*indicate to him the status of your phone too*'. In context Ms Walter understood this as meaning that her communications are being intercepted by SARS. She maintained that throughout their relationship Mr Van Loggerenberg would refer to details on conversations she had with some of her friends, details of which he could only have obtained through means of interceptions. This included her email conversations.

The complaint of Ms Walter prompted SARS to establish a Commission in June 2014 to investigate the allegations. Ms Walter made representation to the Commission and provided SARS with voluminous documentation in support of her claims. One of her claims is that prior to her entering into the relationship with Mr van Loggerenberg, he was aware that she was a source for the SSA. She believes that this was through her communications being intercepted as she was very active in the tobacco industry and was the legal representative for large tobacco manufacturers. This initial panel conducted its investigation however the OIGI team has not been made privy to the report thereon. In August 2014 another panel was convened by the

then acting Commissioner, Mr Ivan Pillay which is still on-going. Ms Walter made representations to this panel, however it has recently come to our attention that both commissions were not provided with documentation provided by Ms Walter to SARS in May 2014 in support of her allegations. This is a cause for concern.

It must be noted that Mr van Loggerenberg is being legally represented in both these Commissions and the enquiry of the OIGI. His legal representatives are being paid by SARS, a decision made by Mr Pillay during his time as Acting Commissioner.

Ms Walter also lodged a criminal complaint which is currently being investigated by the DPCI and the Crime Intelligence Division of the Police.

## **2.2 Interview: Mr. C Burger**

The investigation by the OIGI team established that the State Security Agency (SSA) Economic Intelligence Unit (EIU) has a subdivision: illicit economy focusing on illicit tobacco activities. The EIU illicit economy is coordinated by Mr C. Burger. The Task Team through its interviewing the EIU project coordinator Mr Burger has established that:

- In the year 2000 the then Deputy Director-General of Operations, Mr G Njenje of the then National Intelligence Agency (NIA) had raised concerns about the activities of illicit tobacco smuggling against specific syndicates dealing in racketeering and money laundering and tasked Mr Burger to collect intelligence on these illicit tobacco smuggling activities;
- Mr C. Burger proceeded to initiate within the State Security Agency Domestic Branch (formerly NIA) Project Smoke and Mirrors to collect intelligence on tobacco smuggling activities and also represented the SSA-DB on the Inter-Departmental National Task Team dubbed Project Smoke;

- Project Smoke as an Inter-Departmental National Task Team comprised of the South African Police Service (SAPS) as a lead department, National Prosecuting Authority (NPA), South African Revenue Services (SARS), Asset Forfeiture Unit (AFU), Financial Intelligence Centre (FIC) on an ad-hoc basis and the SSA to provide intelligence and agent handling;
- several syndicate leaders involved in cigarette smuggling in South Africa were identified through Project Smoke and some of the syndicate leaders are registered targets of Project Smoke and Mirrors of the SSA-DB.

A concern raised by Mr Burger is that over the past four (4) years they have managed to prosecute one syndicate leader with the exception of one person and that when the Inter-Departmental National Task Team would initiate to take a matter to court or ask prosecutors to build a case, the SARS would hold back evidence and not assist in the prosecution of syndicate leaders. The Task Team investigators were shown a copy of a document referred to as the Kiran Naik wherein allegations are made regarding alleged corrupt relationships between SARS officials and civilians involved in tax evasion. The Naik affidavit has been in the possession of SSA since 2010 and is allegedly the reason why SARS has poor relations with the SSA after an SSA manager has accused SARS individuals of corruption based on the Naik affidavit and sources.

Mr Burger took over the investigation of illicit tobacco smuggling activities from Mr Ferdinand "Ferdie" Fryer who was a member of the NIA and who used to handle Ms Belinda Walter an attorney who is a registered source of the NIA (E110 (2)5332) hereafter referred as 5332 and has been mentioned in various newspaper articles to be involved in a relationship turned sour with Mr Johan van Loggerenberg, SARS tax investigator.

The OIGI Team established that:

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- Ms. B Walter was a walk-in agent in 2010 in the office of the State Security Agency Director: Domestic Branch Mr. Njenje with information on the smuggling of cigarettes into South Africa;
- Mr F Fryer initially handled Ms Walter and introduced her to Mr Burger on the 2 February 2011;
- Mr Burger pointed out that initially source 5332 was not registered by Mr F FRYER though she provided information to the Agency and eventually registered Ms Walter with NIA as source (E110 (2)5332) on the 24 May 2011;
- In the middle of 2013 the source-handler relationship between source 5332 and Mr Burger became strained;
- Mr Burger duly indicated that with the strained relationship he had with source 5332, she was deregistered on the 23 November 2013;

Mr Burger highlighted that in January 2014 he learned that the deregistered source 5332 had contact with Mr. van Loggerenberg. Mr Burger confronted Mr A Govind, SARS Senior Specialist Tax and Customs Investigator on the matter and indicated to Mr Govind that this is a clear conflict of interest. Furthermore, in January 2014 the deregistered source 5332 requested from Mr Burger source proof of payments and registration documents. Mr Burger indicated that the SSA has no obligation to furnish her with the registration documents as this would compromise the source. Mr Burger further stated that Mr. Govind contacted him and requested the same information and said that SSA must pay tax for sources as there is a MoU between the SARS and SSA whereby SSA would pay the portion of tax owed on source payments. Mr Burger requested a copy of the MoU but it was never produced by Mr Govind.

In February 2014, the Mail and Guardian approached the SSA, NPA and SAPS with questions about law enforcement agencies involvement in cigarette smuggling investigations. Based on the query Mr. Burger pointed out that it was the consensus of the law enforcements agencies that the leak to the media came from SARS and Mr. van Loggerenberg aided by the deregistered source 5332.

Mr. Burger further indicated that in accordance with the SSA mandate, they started an investigation into corrupt SARS official involved in the illicit tobacco trade. During this investigation, information emerged about the existence of a covert unit within SARS. Mr Burger also stated that several people in SARS made contact with SSA to the effect that SARS has a covert unit gathering covert information in an unconstitutional manner and SSA had obtained evidence and minutes of the meetings of the covert unit. The OIGI team investigation learnt that the SARS covert unit was aimed at discrediting the SSA, NPA and SAPS by leaking information to the media.

Mr Burger also stated that they interviewed Mr Michael Peega an ex-Special Forces soldier who was a member of the SARS covert unit called National Research Group (NRG) that consisted of twenty two (22) individuals with fake identification cards. The NRG changed its name to Special Operations Unit (SPO) to Significant Case Management Unit (SCMU) and later to the National Enforcement Unit (NEU) in order to try to shield away from being compromised as they collected intelligence on tax payers by means of covert tactics. The members of the NRG were Charl Fourie (a psychologist and former DSO operative), Sipho Nkomo (former Metro Police Commander), Dillo Nyaphudi (VAT and policy specialist), Danny Le Roux (former SAPS Task Force Superintendent), Fanie Botma (former DSO operative), Johan de Waal (former DSO and NIA operative), Antonn van Woudt (cyber forensic expert), Helgard Lombard (technical expert), Itumeleng Leeuw (former DSO operative and Team Leader), Johannes Muller and Kenneth Mphahlele (former DSO operative), Frans van Niekerk (former SAPS-CI operative and IT specialist), Pieter de Bod (former DSO operative), Gilbert GUNN (former DSO operative), Erick Kwela (SARS

Enforcement Unit former manager), Keith Hector (former SAPS-CI operative in Narcotics), Shoban Wilson (mathematician and statician), Jappie Tshabalala (SPU investigator), Norah Pitsi (former Military Intelligence), Timothy Mabaso (former Military Intelligence), Eddie Kotze (former police officer). It is worthy of note members recruited into this unit possessed skills related to the security environment and which related to the conduct of covert operations.

We noted that the SSA infiltrated the computer of Mr. M Peega and found information and instructions including meetings and the fake identity documents that were used by SARS covert unit.

Mr Burger further stated that only Mr Pravin Gordhan (former SARS commissioner), Mr I Pillay and Mr van Loggerenberg were aware of SARS covert unit which was called Project Snowman (**attached hereto marked Annexure "A"**) whose mandate was to operate a shielded unit both nationally and internationally for collection, analysis of information, protect RSA economy, gather information for SARS that is not readily available and not legally sanctioned for the SARS investigations. The unit had state of the art equipment normally used by state intelligence services. The members of this SARS covert unit were not paid from the SARS payroll but instead from the budget of Mr. I Pillay through a cost code centre 50 20 30/31 and was managed by a former NIA operative Mr "Skollie" Janse van Rensburg who was later fired by SARS for threatening to expose the unit and was offered a "silence cheque" and SARS covert unit members were instructed cut all ties and communication with Mr Janse van Rensburg.

The version provided by Mr Peega validates Project Snowman in every material aspect. According to Mr Burger, Project Snowman also makes reference to political targets which was confirmed by Mr Peega who indicated that Post Polokwane, members of the unit were given projects and subjects named as tax offenders.

However closer inspection revealed that the targets were actually President Zuma sympathisers. This is a vital piece of information which has been corroborated by Ms Walter.

According to Mr Peega the NRG was based in Gauteng (Waterfall Park) and investigated abalone smuggling, illicit trade in cigarettes and rhino smuggling. Allegedly this is where the interceptions are taking place. Members were secretly headhunted and trained. Regular meetings were held at Marie Street Guesthouse in Brooklyn and Cappucinos in Menlyn. Minutes of meetings were e-mailed to members through Hotmail, Yahoo and Gmail accounts

Information obtained from Mr. Burger indicated that the members of the SARS covert unit were trained in tracking, tracker installation, weapon handling, bugging systems, surveillance (physical, mobile and electronic, systems breaching, building of cover stories, changing of identity, communication security, house penetration, cryptology, and protection of safe houses).

Other information obtained from him indicates that the SARS covert unit operations was involved in stealing of mail from residences, interception of E-mails, mobile and landlines including installing of tracker systems on vehicles.

Mr. Burger additionally stated that according to Mr. Peega, in a meeting held on the 12 June 2008 in the covert unit, SARS officials indicated that they needed information from NIA and Crime intelligence but that these departments were faced with problems which made the exchange of information difficult. Due to this it was decided that SARS would gather the information itself. In 2009 Mr. Peega was subjected to a disciplinary hearing in SARS for his role in rhino poaching and discharged. Of note is that in April 2014, Mr Peega was approached with a financial offer from SARS and a proviso that he should not divulge any information regarding the activities of the covert unit. This raises the question as to why SARS would offer

him the money if his information he has provided on the existence of the unit and its activities are false and untrue.

Mr Peega has made contact with the Hawks and has indicated his willingness to testify in court.

Burger's conclusion is that there are reasonable grounds to believe that SARS created this covert unit for tax collection utilising covert and intrusive measures independent from the SSA. There are reasonable grounds for suspicion that the activities of this unit constituted preferential treatment to large contributors to the fiscus by promoting criminality in the tax assessments. Tax paid by these large contributors is less than what is owed to the State and they continue with their illicit activities with SARS's knowledge. Mr Burger further believes that there are reasonable grounds of suspicion that this covert unit was misused to target political opponents.

The OIGI task team attempted to locate Skollie (Andries Janse van Rensburg) in an effort to interview him. A telephone number and email address was provided to the team. An email was sent to him on the 16 October 2014 requesting an interview. A letter was received from his attorney, Johan Coetzee on the 17 October 2014 stating that prior to an interview they require documentation on the authority of the investigation and a list of questions.

Flowing from this the OIGI team interviewed Ms Madeleine Schlenker who works with Mr Burger at the Economic Intelligence Unit of the SSA. She indicated that she worked primarily as a researcher in the EIU and assisted with the illicit tobacco industry investigations and is part of the team for Project Smoke. Her evidence corroborated that of Mr Burger and she confirmed that with the consent of Mr Peega, she intercepted his email account and extracted minutes of meetings relating to the inception of the covert unit at SARS.

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As part of her functions, Ms Schlenther is also tasked to listen to lawful intercepts. She stated that in one intercept she heard Mr van Loggerenberg speaking to a tobacco smuggler (who is also registered as a target of the SSA and subject to lawful interception) who is under investigation. According to her, Mr van Loggerenberg warns him that he is going after British American Tobacco (BAT), a large tobacco manufacturer and will help him as a smaller company. We submit that it is unlawful for Mr Loggerenberg to engage in such activities.

### 2.3 Interview: Mr B Mhlanga

In our interview with Mr Mhlanga, Advisor Minister of State Security, we established that when Prof Mokwena overt contract with NIA terminated, Mr Fryer assumed the position as the EIU General Manager and the capacity of the EIU was reduced and there was no fully proportionally work been undertaken within the EIU. Mr Mhlanga indicated that the Director of the Domestic Branch, Mr G Njenje wanted to resuscitate the EIU and delegated Mr Fryer to lead the EIU and also introduced Mr Fryer to a number of sources within the illicit tobacco sector. Mr Fryer resigned from the NIA and joined the tobacco industry which led to the recruitment of Mr C Burger from vetting to the EIU to head the illicit tobacco investigations.

The main areas of concern for SSA raised by Mr Mhlanga pertaining to SARS are that:

- The SSA through its intelligence was able to pick up that there was a lot of discomfort from SARS as to why the SSA was getting involved in the illicit tobacco activities as SARS has been conducting tobacco smuggling investigations;

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- SARS was faced with the challenge where its two members Messrs Radebe and Fitoyi alleged that SARS was building an intelligence capacity and had interception of communications capability;
- Other causes of tension between SARS and SSA relate to the announcement by President JG Zuma on the establishment of the Border Management Agency (BMA) that it should be established within two (2) years and must reside in the SSA and Minister of SSA and the National Intelligence Coordinating Committee (NICOC) to drive the processes and SARS resisted and indicated that this would impact on legislation mandate of SARS collection and have an impact on immigration. The BMA has not been set up despite cabinet decision to establish the capacity.

The Task Team would like to point out that the allegations raised by Mr Peega, Mr Radebe and Mr. Fitoyi relating to the existence of a SARS covert intelligence capability were also corroborated by Prof Mokwena and Mr Mhlanga. We note that Mr Mhlanga during the interviews succinctly indicated that the then NIA Chief Directorate Counter-Intelligence Operations (CDCI) conducted an investigation on the alleged SARS covert intelligence capability and the OIGI has since obtained a status report on the SSA.

The investigation report from Mr K Fitoyi implicating SARS for operating an intelligence service dated 9<sup>th</sup> September 2013 as well as a counterintelligence report dated 26<sup>th</sup> November 2013 on allegations reported by Mr K Fitoyi alleging the existence of an intelligence gathering unit within the SARS. The counterintelligence report findings dated 26<sup>th</sup> November 2013 points out that:

- A CI investigation was conducted on allegations reported by Mr Fitoyi on the Presidential Hotline in 2010 on the alleged existence of an

intelligence gathering unit within the SARS and Minister of State Security, Dr SC Cwele instructed that an investigation be conducted;

- It was found that SARS had established a covert intelligence unit called NRG that consisted of five units focusing on special investigations, operational support, and surveillance including special functions as well as research and analysis. The NRG was also referred as the Special Projects Unit (SPU) previously existed as the Business Intelligence Unit (BIU) attached to the office of Deputy National Commissioner, Mr I Pillay. This unit dealt with investigations referred to it by the Anti-Corruption unit and other business units of the SARS;
- The unit was championed by Mr. van Loggerenberg and that Mr. Janse van Rensburg (Skollie) who was the former head of the NRG left the unit after agreeing on a payout of contract settlement with SARS but the documentation on the settlement by CDCI could not be traced;
- Amongst the criteria used in selecting cases for the NRG were instances where the taxpayer is someone significant or 'special type' of action due to political considerations.

#### **2.4 Interview: Prof Mandisa Mokwena (nee Phuthuma)**

In the media report of the 10 August 2014, allegations were levelled against a former member of the NIA, Prof Mokwena. Based on this it became necessary to interview Ms Mokwena which was held on the 11 September 2014 in the presence of her attorney. She indicated that she was employed by the former NIA component as an Economic Advisor to the Director-General in 2000 on a contractual basis. She was later appointed General Manager of Chief Directorate Economic Intelligence which position she held until her contract expired in September 2004. She knows Ms Riana Peach who used to work with her at the aforementioned Chief Directorate.

After the expiry of her employment contract she was employed by the SARS having been headhunted by one of the senior SARS employee named Mr Ivan Pillay. At SARS she started working as a project manager before she was promoted to the position of Head of Business Intelligence followed by a promotion as Group Executive: Segmentation and Research. She initially worked under Mr Ivan Pillay and later worked under Mr Pete Richer. The SARS business intelligence structure was resourced mainly by personnel recruited from military intelligence. When she took over the business intelligence structure she reported to Mr Pete Richer. She ensured that the business intelligence Unit had its focus mainly on using business intelligence systems to conduct research and understand tax compliance.

She indicated that she later became aware that a structure headed by Mr Johan van Loggerenberg was running covert operations under her business intelligence unit. She conveyed her concerns to her line management, namely Mr Ivan Pillay and Mr Pete Richer that she was not comfortable in signing claims for a covert structure under her unit which she did not know what its mandate was and did not even receive its products. After raising her concerns about the special operations unit and the fact that she was not comfortable to approve any claims from the said structure, she was requested to approve claims emanating from the said structure for a period of six months where after a decision will be taken regarding the structure.

She saw in the cost centre that there were employees she did not know and identify and was not even aware of what they were doing. Upon her raising these concerns she was told that the structure will be removed from her unit. She then reconfigured the structure to focus on tax compliance. She was later promoted to General Manager: Compliance. The Business Intelligence Unit was dissolved when she was promoted to the general manager position in around 2007/8.

Later when Mr Richer left SARS to join the former NIA component Professor Mokwena was promoted to the post of General Manager Risk Management which was vacated by Mr Pete Richer. After she took over as General Manager Risk Management she found out that the Special Operations Unit of SARS and a company called Pascal Risk Management Services conducted intelligence-related operations of a covert nature. She wrote a letter to the then Commissioner of SARS, Mr Gordhan indicating her discomfort with regard to the covert nature of the two structures and the fact that they were not sharing information and accordingly she did not have control over these structures even though on paper they resorted under her even though she was made to understand that they were dealing with media management and political opponents. She indicated that an employee nicknamed "Skollie" was also under her as he was also under the Special Operations Unit. She indicated that at some stage Mr Irvin Pillay approached her and requested that she appoint Skollie's wife. She is of the opinion that Mr Pillay wanted to appease Skollie through the appointment of his wife as Skollie threatened to expose SARS covert operations. At the time Skollie's wife, Laetitia was a NIA employee.

She indicated that she knows a NIA employee by the name of Riana Peach as the latter reported to her when she was a General Manager within Chief Directorate Economic Intelligence. When she was working for SARS she used to supply information about SARS Covert Intelligence operations to NIA through Riana Peach. Although she was the source of information for NIA, Professor Mokwena's husband was registered as a NIA source as part of a legend so that the reports should not be traceable to her as the source of NIA. Her reports contained information on the covert structures of SARS and she was paid source remuneration for reports submitted. She indicated that even when she was still in NIA the former President Mbeki instituted the so-called Project Ndela which was to investigate how FIS was positioning itself in South Africa and the role of SARS in that. She strenuously denied that her husband

was a source of NIA handled under her Chief Directorate Economic Intelligence. She also denied having ever received claims for her approval of her husband's source remuneration.

Professor Mokwena also alerted the former SSA DDG of Operations, Mr Gibson Njenje of the concerns she had with the SARS Covert special operations capability. Prof Mokwena knew that what SARS was doing was outside its mandate and that is why he informed the State Security Agency about same. She does not know whether SARS had any interception of communications capability and does not know whether or not they conducted interception activities.

She knows for a fact that SARS personnel assisted the NPA and was present during the search and seizure operations conducted at the house of President Zuma when he was still the Deputy President and also when his lawyer's offices were searched.

Prof Mokwena indicated that she was suspended in 2009 in SARS following certain misconduct allegations levelled against her. She resigned from SARS in 2009 prior to the finalisation of disciplinary proceedings against her.

During the interview with Mr Thulani Dhlomo of the SSA, he indicated that he knows Prof Mokwena but she was never employed at the SOU however she provides him with information as an 'occasional contact'. He stated that when Prof Mokwena left SARS, the SSA received information that there is a special unit within SARS that is investigating top ANC officials. The SSA never took this matter further. This however was confirmed by Prof Mokwena.

Flowing from the information received and the interaction between Prof Mokwena and P Richer, it became imperative to interview Mr Richer. Mr Richer provided the following version. He indicated that he is currently employed by SARS as a Group Executive Strategy and Risk. He stated that the investigation of the tobacco industry is a long story which commenced

about 20 years ago when he was still employed in NIA. As early as the late 1990s, the NIA was involved in the investigation of various forms of crimes including abalone smuggling, tobacco and drug smuggling, bombings by extremists as well as the rise of PAGAD. In this regard the NIA liaised a lot with the then Department of Customs (before the formation of SARS) and the immigration division of the Department of Home Affairs. This led to the formation of the National Interdepartmental Team on Border Management (NIT) which is the predecessor of the Border Management Agency (BMA).

At the time the NIA was considered by other departments as overstretched and unable to render the required support in the provision of services, including provision of surveillance services at border/ports of entry particularly at the two main airports in South Africa. A body called the BICC was formed in 2000. The then NIA and SASS undertook to assist the Department of Customs with those services. Later Mr Richer was deployed to SARS and established a Tax and Customs intelligence Unit which he later changed its name to the Business Intelligence Unit. Being a person who has worked within the analysis environment in NIA, his intention in establishing the Business Intelligence Unit of SARS was that the Unit was entirely an analytical capacity analysing SARS tax data and tip-offs. The Business analysis unit had three components which were Sector Analysis (focusing on analysing risks within sectors of the economy), Entity Analysis (conducting analysis of the level of risk in certain transactions e.g. tax and customs declarations) and the inspection capability (to carry out inspections). This led to greater cooperation between SARS and NIA. However the challenge was that NIA had its own priorities which were different from SARS priorities. At the same time SARS decided that it was important for them to follow the Cargo in order to monitor compliance. For this purpose SARS introduced tracking devices which were clandestinely put on the cargo in order to monitor same.

In 2006 Mr Pete Richer was redeployed to NIA. He asked the then DDG operations, Mr Fraser to appoint a person to liaise with SARS to ensure greater cooperation between the two institutions. In this regard a number of options were entertained including the idea that certain identified SARS employees would be deployed in NIA to establish a surveillance capability dedicated to support SARS work. However the discussion between SARS and NIA were not finalised and implemented for the three years that Mr Richer was in NIA when at the end of his contract he re-joined the SARS whereupon he found the business intelligence capacity having been disestablished and with its personnel having been transferred to other areas of investigations within the SARS environment.

He knows Skollie as having worked in NIA which he left few years before being employed by SARS. He said that Skollie was also part of the problem as he wanted to do more than what SARS was comfortable with. Skollie wanted SARS to have a full surveillance capability which did not sit well with SARS management. He said that when the Business Intelligence Unit (BIU) was established it was headed by Kerenza Millard who left in 2005 to join the Ministry of Intelligence Services. (Prof Mokwena) replaced Ms Millard as head of BIU. At the time, the special operations aspect of the BIU was put to the operational side under Johan van Loggerenberg. Mokwena continued to head the BIU until she was charged for misconduct by SARS.

Mr Richer indicated he knew Mr Johan van Loggerenberg when he was brought in by former acting Commissioner of Police, Mr Tim Williams into the investigation of theft of computers in NIA in or about 1996. He was later employed by SARS in the investigation side. Currently Mr Johan van Loggerenberg should report to Mr Gene Ravele.

He indicated that SARS never had a capability to intercept communications although third party recording of communications takes place. Under the circumstances persons are informed that their conversations are being

recorded. The SARS investigators would then record themselves communicating with others which is not intrusive within the context of interception strictly. He knows that SARS and NIA have worked together on Project Charter and Project Coerce which were regarded as investigations of criminal activities within the tobacco industry. These projects started in or around 2005.

He indicated that RICA allows other departments like SARS to have a desk at the OIC but SARS did not take up the offer to have a desk within the OIC since it liaised with law enforcement agencies inter alia with regard to interception of communication. In 2002 SARS did not have electronic links to link systems together at the border. They would then slip a tracking device on the container so that they could track the container.

He indicated that SARS does not have a covert intelligence structure but indicated that SARS does have a shielded investigative unit with shielded personnel. These investigators are on the SARS payroll but they are shielded from being known by others as SARS investigators. The purpose of the shielded investigative unit is to protect the life and limb of SARS investigators against dangerous criminal syndicates who are also tax evaders.

He knew Mr Ferdi Fryer since he found him in 2006 as a NIA General Manager heading the Economic Intelligence Unit and he reported to Mr Richer. There was no product coming from this Chief Directorate and Mr Richer decided to disband the Economic Intelligence Unit and all economists were then integrated into Analysis and Mr Fryer was transferred to the vetting environment. Mr Fryer was unhappy with this deployment. He indicated that there was a source by the name of Mr Graham Minnaar who was handled by Mr Fryer but it was Mr Richer's opinion that the source handled Mr Fryer rather than vice-a-versa.

He indicated that there were meetings held between NIA and SARS arising from SSA's concerns that SARS had an intelligence collection capability when

SSA enquired upon the rationale for its establishment. At the end of the meeting SSA was satisfied with SARS explanation. In this regard Mr Bob Mhlanga of SSA interacted with Mr Richer in that regard. Mr Richer indicated that the biggest mistake which he made in his career was when he joined the company called Kroll and Associates. He found out that this company was involved in certain activities which were not right and he reported this to NIA and gave information. NIA wanted to make Mr Richer a source but he refused. There is recorded written communication between NIA and SARS flowing from NIA enquiry on the alleged intelligence capability of SARS which OIGI investigation could obtain from SSA. He indicated there are documents which record the agreement between SARS and NIA which are in the possession of SSA. This also included the establishment of a surveillance capacity within NIA that could cater for the needs of SARS. However the cost implications of establishing such a structure required the approval of the Minister. The agreement was never signed. This led SARS to discontinue with the surveillance capacity as there were many risks with the continuation of the aforesaid structure. He indicated that the need for the use of tracking devices was necessitated by the need to follow the cargo and he does not view this as intrusive.

He indicated that it was noticeable that there was a time when the relationship between NIA and SARS was at an all-time low although he is unable to pinpoint exactly what the cause was. The relationship between SARS and NIA was mainly around the issue of investigation of illegal activities within the tobacco industry. He says that SARS was successful in closing down companies which were involved in tobacco smuggling and which were non-compliant, e.g. they did not honour their agreement on bonded warehouses.

Mr Richer indicated that he does not know Ms Belinda Walter other than having heard about her in the newspapers and within SARS circles.

He indicated that the need to recruit personnel from the intelligence services was necessitated by customs having been given executive powers including the carrying of firearms and persons with investigative skills. Furthermore the government could deploy people with intelligence background to any other government department as it has also happened with departments of Home Affairs and of International Relations and Cooperation.

An analysis of the information obtained from Prof Mokwena and Mr Richer indicates that the unit was the brainchild of Mr Pete Richer. Whilst the initial intention may have been analysing tax-related data and tip-offs, it soon shifted focus. Prof Mokwena indicated that she became aware the structure which seemed to operate in a covert manner. She conveyed her discomfort to both Mr Pillay and Mr Richer. Mr Richer on the other hand denies that this was a covert intelligence unit of SARS. It was according to him a shielded investigative unit of SARS which was not operating in an open manner. The purpose of this shielded investigative unit was to protect SARS investigators from being known as they investigated cases involving dangerous criminal syndicates who were also tax evaders. According to Mr Richer SARS used tracking devices to track cargo which was not intrusive. He said that a Mr Janse van Rensburg was responsible for the surveillance unit however SARS management became uncomfortable with Mr Janse van Rensburg's proposal of developing a full surveillance capacity for SARS which led to his departure from SARS. Mr Richer strenuously denied that SARS has a capacity to monitor and intercept communication even though SARS does third-party recording of communication with the knowledge and consent of the communicating parties.

There is a clear attempt by Mr Richer to provide a credible explanation for the unit however evidence points elsewhere. Some of the questions to be raised are if the intention for the unit was as Mr Richer explained, why was there a need to recruit persons with specific intelligence and covert related skills followed by specific training. It would be farfetched to accept that members of

SARS would require training in sleep deprivation and house penetration to say the least. All members recruited came from the security environment and were recruited by Mr Pillay or Mr Richer, both of whom were previously employed at the SSA. In addition members of this unit were given fake identity documents. The obvious conclusion is that they were required to perform at a level one would expect from operatives in the security sector.

In furtherance of the issue of the MoU alluded to by Mr Richer, Adv JH Meiring: SSA Legal Advisor was interviewed. He stated as follows:

- around March 2007 he was requested to prepare for Ministerial approval a Memorandum of Understanding (MoU) between the NIA and SARS relating to the establishment of a joint covert capacity to be utilised by NIA and SARS by the then Deputy Director-General: EM40, Mr P. Richer. Adv Meiring drafted the MoU and handed over to EM40 and had no hand in the drafting of the submission;
- the purpose of the MoU was to establish a joint deep covert structure to preside under the auspices of the NIA staffed by highly trained specialists that will provide covert collection and surveillance on strategically significant related crimes with primary emphasis on border intelligence issues that will include smuggling activities, asset laundering, criminal facilitators and organised corruption;
- to create a capacity to carry out surveillance and intelligence gathering on specific border related targets beneficial to SARS customs mandate and in support of NIA's border intelligence function. SARS increased emphasis on anti-smuggling, particularly of prohibited substances and goods (e.g. drugs, weapons etc.) require better intelligence support;

- to have a dedicated surveillance and intelligence gathering support to its anti-smuggling functions and in order to have specific customs/anti-smuggling expertise in such surveillance and intelligence gathering it is felt necessary to form a unit, supplied with SARS personnel, but under NIA command.

We have identified that the submission and the MoU were drafted but was not approved by the then Minister for Intelligence.

## **2.5 Interview: Mr Johan van Loggerenberg (SARS)**

Mr Johan van Loggerenberg was interviewed on two occasions. It must be noted that he was legally represented by an attorney and 2 counsels on both occasions. In the first interview he attempted to direct the interview by proposing that he has 38 themes on which he would like to advise the OIGI team. Coupled with this he provided the names of 64 people he felt the team should interview to understand the issues at hand. He was advised that he should desist from directing the investigation and the team would decide what questions to put to him.

Mr van Loggerenberg indicated that the interaction between SARS and SSA started when Mr Njenje and Mr Fryer, who at the time was the head of Economic Intelligence unit of the SSA and Mr Bob Mhlanga requested a meeting. The meeting occurred on the 15 November 2010 at the behest of Mr Njenje. According to Mr Van Loggerenberg, Mr Njenje indicated to the then Commissioner of the SARS that the purpose of the meeting would be to focus on the alleged corruption of investigators in the South African Revenue Services who were involved with investigations into tobacco industry subjects. The primary focus would be on the presentation that was going to be given including the alleged corrupt activities by the SARS officials involved in the tobacco industry project. During a discussion prior to the meeting it emerged that SSA was relying on information with no evidence. In response SARS

stated that they have reason to believe that the origins of the information was from a Mr Graham Minnaar which cannot be relied on as they have reason to believe that certain individuals were participating and conspiring and working together with a number of the justice departments including the intelligence agency with a view to discredit SARS officials.

It was thereafter decided that a work group would be formed, comprising of all respective role players who will collaborate on the tobacco industry. Mr Fryer, at that time was tasked to convene the various departments with a view to develop a framework and terms for such a multi-agency task group.

Mr van Loggerenberg made specific reference to two incidents involving the SSA which he believed strained the working relationship between the two departments. The first involved a Tobacco manufacturing company called Lonhro, a London based company that was being investigated by SARS and a parent company of a South African tobacco company called Rollex. SARS had obtained a search warrant for the computers of this company however prior to the search; a request was received from SSA to delay the search. As a result of the delay the computers were stolen. It later emerged that the search warrant was drafted by the Lonhro lawyers at the instruction of SSA and that Lonhro was advised not to engage with SARS.

A second incident alluded to by Mr van Loggerenberg involved Carnilinx. In this matter SSA requested information from SARS to charge Carnilinx. However in the interim it emerged that a tracking device was placed on a vehicle belonging to this company which was linked to the Crime Intelligence Division of Police. When this was discovered SARS laid a complaint with the Hawks. Mr van Loggerenberg indicated that it is suspected that SSA and Crime Intelligence was involved in the placement of this tracking device. These incidents led to distrust between SSA and SARS.

On the issue of surveillance by SARS, Mr van Loggerenberg stated that SARS had a surveillance capability to monitor containers that are in transit.

When questioned about interceptions, Mr van Loggerenberg stated that when intercepts are required for SARS, Crime Intelligence is approached for the necessary applications. He denied that SARS had an interception capability or interception equipment as alleged by Ms Walter.

Prior to the interview of Mr Van Loggerenberg, Mr Ivan Pillay was interviewed. He maintained at all times that SARS had conducted itself within the prescripts of the law. He denied the existence of a covert unit within SARS or the alleged interception capability within SARS. On the contrary he stated that applications for interception directions required by SARS are applied for by the law enforcement agencies.

## 2.6 Interviews: Mr G Ravele

The first interview of Mr Ravele was on the 30 August 2014 by the IGI. In this interview Mr Ravele intimated the following:

- Mr I Pillay the acting Commissioner of SARS is protecting Mr Van Loggerenberg;
- Mr Van Loggerenberg was brought to SARS by Mr Pillay and introduced to Mr Richer;
- Mr van Loggerenberg has leaked SARS information to the media including the allegations against SSA;
- Mr Van Loggerenberg did not disclose his affair with Ms Walter immediately when it started in started in October 2013. He only disclosed it after Ms Walter threatened to expose him and SARS;

SECRET

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- Ms Walters was representing person within the tobacco industry who had tax issues with SARS. Mr van Loggerenberg was aware that Ms Walter was a SSA source.

On the issues of the covert structures, Mr Ravele stated that these were created and are controlled by Mr Richer and they still exist. When Mr van Loggerenberg joined SARS, there was an instruction from Mr Pillay for him to work with covert structures. Mr Richer was also instructed by Mr Pillay to get personnel from NIA, SASS and DI to form the component which Mr Ravele indicated was intended to cripple NIA and SASS. The recruited members included Mr de Waal and Mr Janse van Rensburg who had worked with Mr Richer at Kroll. These persons had an understanding of how NIA worked. .

Mr Ravele stated that members of this unit raided President Zuma's house in 2006 and seized documents. The unit was created to investigate drugs and smuggling, but it was involved in other things. They were not hosted in SARS offices since they were a covert structure. SARS hired/rented houses for their operations. This was the system/vehicle created by SARS and paid by SARS. It never operated at SARS for the intended purposes. That unit reported to Mr Richer.

Mr Ravele went on to say that when Mr Ronnie Kasrils was the Minister for Intelligence, he recruited Mr Richer back to NIA. Mr Fraser at that time was the DDG Operations. His technical unit was taken away from him and given to Mr Richer whose unit, Mr Ravele believes operated illegally. It used people at NIA to intercept other people using NIA's facilities. Mr Pillay claims that recordings done at that time were given to the President. These include private recordings or interceptions or Mr Gerrie Nel of the DSO (Scorpions).

On the issue of Mr Janse van Rensburg, had problems, his son died of cancer and that disturbed him. While in that situation, he started blackmailing Mr Pillay with the words *"I have other tapes to prove that SARS was monitoring*

*the President before he became the President*". He threatened to release the tapes to the media unless Mr Pillay paid R20 million. However a settlement was made to Mr Janse van Rensburg. The burning question is that if SARS did not illegally intercept the President, why would they reach a settlement?

In a recent interview with Mr G Ravele, he indicated that he has been tasked by Commissioner Moyane to investigate the existence of an interception unit within SARS as alluded to in newspaper reports. He provided the team with certain documentation. In his investigation Ravele stated that he established that the unit was established in 2004 with only Mr Janse van Rensburg (Skollie) as a member who reported to Pete Richer. Mr Janse van Rensburg was appointed as a Technical Innovation Specialist on contract for 3 years on the 1 November 2004.

During 2006/2007 Mr Manuel (Former Minister of Finance) raised a number of concerns about the illicit economy and SARS's capability to address this. SARS made a proposal signed by the then Commissioner, Mr P Gordhan on the 8 February 2007 to the Minister to fund a special capability within the NIA to supply SARS with the necessary intelligence to address the illicit economy. It was made clear in the proposal that SARS does not have the legislative mandate for clandestine activities.

The proposal was the NIA budget to be increased over a period of 3 years to fund the creation of this special capability which will be formalised into a MOU.

The proposal was approved by the then Deputy Minister of Finance, Mr Moleketi on the 22 February 2007. Mr Manuel was the Minister at that time. However on the 8 February 2007, Mr I Pillay in his capacity as General Manager of the Enforcement and Risk Division, forwarded an internal memo to Mr Magashula ( Chief Officer: Corporate Services) for approval for the appointment of external personnel with specialised capabilities. Interestingly the memo indicated that *'fundamental to combatting the illicit economy is the*

*capability to penetrate and intercept the activities of crime syndicates.*' In addition the memo was for the approval of 26 personnel with specialised capabilities (attached hereto marked Annexure "B" and "C" respectively)

It should be noted that before the Minister could approve the proposal for funding for NIA, the memo for the appointment of mentioned personnel was approved. Furthermore the proposal to the Minister was about SARS requesting a budget to create a capability placed in the NIA however before this could be done; SARS had found money to create a capability within SARS.

The unit was called the National Research Group (NRG) and comprised of both SARS and non-SARS employees which included the employment of Mr Janse van Rensburg (Skollie) who reported directly to Mr Pillay. The NRG was first exposed to the media in October 2009 by a former employee, Mr M Peega after he was dismissed from SARS for rhino poaching. After the media expose, most of the members of the NRG were redeployed to other business areas of SARS. Some persons left SARS and the impression was created that the unit has ceased to exist. However 7 of its members were retained in another unit called the High Risk Investigation Unit (HRIU) which operated with the same mandate of the NRG. Early this year 1 member left. On the 28 March 2008 Mr Janse van Rensburg (Skollie) indicated he was unwilling to be redeployed according to an internal memorandum dated 28 March 2008 and signed by Mr Ivan Pillay. He was given a settlement package of R 3 150 894.81. Mr Ravele stated that he believes that Mr Janse van Rensburg (Skollie) was going to expose the unit and blackmailed both Mr Pillay and Mr Gordhan. He stated that Mr Janse van Rensburg (Skollie) initially demanded R10 million which was reduced. He further stated that following Skollie's departure from SSA, he was recruited into KROLL by Mr Richer and when Mr Richer joined SARS he brought Skollie with him.

When questioned about this pay out to Mr Janse van Rensburg, Mr Ravele indicated that he queried the amount with Mr Pillay who advised that Mr van Rensburg had personal problems and was behaving in an erratic manner. Mr Ravele maintains the view that other SARS <sup>members</sup> who had personal problems were never paid out which leads to the assumption that Mr Janse van Rensburg was going to expose trade secrets and blackmailed both Mr Pillay and Mr Gordhan

On the 28 May 2014 Ms Walter lodged a complaint with SARS alleging that Mr Van Loggerenberg runs a covert intelligence unit that has surveillance and interception capability. She indicated that the NRG still exists under the name High Risk Investigation Unit (HRIU). This unit in its current form comprises of 6 members who report to Mr Van Loggerenberg. This unit does not operate from SARS's premises but operate from home premises as they should be '*shielded*' from the rest of the organisation considering the high risk nature of their work.

In the interview Mr Ravele also provide<sup>d</sup> the OIGI team with statements from Johan de Waal and Jappie Tshabalala, members of NRG. In his statement Mr de Waal indicated that members were provided with appointment cards with false names. He further stated that on two occasions he used tracking devices which were borrowed. He denied the unit ever having interception or monitoring equipment.

Mr Tshabalala in his statement indicated that members of the unit were recruited in 2007 and were trained in *inter alia* surveillance techniques, weapons handling and sleep deprivation. He however denied ever having been involved in any investigation of any political figure or of 'bugging' the President. Mr Tshabalala alluded to recordings of conversation between Minister Mbalula and Mr Malema conducted by Mr Peega who was the bodyguard to Minister Mbalula. Mr van Loggerenberg was aware of Mr Peega performing this function but it appears that it was sanctioned as reports were

sent to Mr van Loggerenberg. Mr Ravele further indicated that he believes that towards the Polokwane Conference certain people were targeted.

On the issue of the NIA investigation in SARS, Mr Ravele indicated that he is aware that Mr Mhlanga led a team that investigated the NRG in SARS. They were provided with documentation and spent 2 days in SARS. After the investigation, Mr Pillay requested a report from Mr Mhlanga only to be told that the investigation was sanctioned by the President. The resultant effect is that the NIA report was not released to SARS.

On the issue of the interception equipment, Mr Ravele indicated that the investigation into these matters is still on-going and the OIGI will be apprised of this when complete.

## **2.7 Analysis of the Evidence**

1. It is clear from the evidence/obtained from persons interviewed, conduct undertaken by SARS warrants scrutiny. Through the evidence from Mr Burger and documents provided, that SARS, as far back as 2004 established a unit that had capabilities beyond their mandate. Evidence in support of a covert unit emerged from Ms Walters, Mr Peega, Mr Fitoyi, and Ms Mokwena and to an extent the conduct and curious departure of Mr Janse van Rensburg from SARS.
2. It has been alleged by Mr Richer that one of the reasons Mr Janse van Rensburg's services were terminated was that he wanted to take surveillance to beyond what SARS management was comfortable with. If this evidence by Mr Richer is anything to go by it follows that Mr Janse van Rensburg must have done something on the surveillance part which SARS management was not satisfied with. It may be that Mr Janse van Rensburg implemented a full surveillance capacity which was outside the mandate of SARS and that is why SARS management is said not to have been comfortable with whatever he created.

3. Evidence indicates that in 2007 there was an attempted to ratify or formalise this covert unit through a submission for a budget transfer to the NIA for a capability that could assist SARS. This however was not done, instead SARS, through Mr Pillay secured its own funds and the unit was established. Further evidence points to efforts being made for a MOU between the 2 departments which never reached any fruition. Personnel were recruited from the security environment and were handpicked according to their skills. Specific training which appears to be intelligence gathering related was provided to these members. It remains unclear as to why SARS would require such specific skills when it is mandated that intelligence required by SARS would be sourced through intelligence structures. The answer to this may be located in the heading to the memo of Mr Pillay approving the unit which reads '*fundamental to combatting the illicit economy is the capability to penetrate and intercept the activities of crime syndicates.*' This clearly points to an intention of SARS from the outset to have an interception capability. A further source of concern is the shielded nature in which this unit operated including salary payments which were made from the cost centre of Mr Pillay. Moreover it is clear from the Project Snowman document that only Mr Gordhan, Mr Pillay and Mr van Loggerenberg sanctioned this unit. There was a clear intention to keep the unit and its real purpose hidden from scrutiny.
4. The information from Mr Burger proved invaluable to the investigation. He provided the document called 'Snowman' which is attached hereto. This must be read with the version of Mr Peega in an interview conducted by Mr Burger alluded to above. Of importance is the covert unit meeting of the 13 June 2008 where SARS opined that due to problems within NIA and Crime intelligence, they themselves would gather information they required. An analysis of the evidence of Mr Burger reveals that at all times the EIU in the SSA conducted operations within the prescripts of the law and their mandate. According to him Ms Walter proved to be invaluable source in the operations into the illicit cigarette industry. This relationship however soured through her involvement with Mr Loggerenberg.

It is clear that relationship between SARS and the SSA was not on a good footing and Mr Burger believes that SARS is responsible for the low rate of prosecution for syndicate leaders involved in the tobacco industry. This he attributed to collusion between SARS and persons in the tobacco industry. Reliance must be placed on the evidence he provided on the existence of a covert unit within SARS utilising covert and intrusive methods independent of the SSA. In addition his assessment was that this unit was misused to target political opponents.

5. This however must be taken further. One cannot downplay the existence of a covert unit in SARS despite vehement denials by SARS officials. Weight must be attached to the evidence of Mr Peega who was in the unit and has provided documentary evidence through emails to substantiate his claims. Moreover the unusual departure of Mr Janse van Rensburg from SARS raises questions which has been justified by SARS officials by stating that Mr Janse van Rensburg wanted to act in a manner outside the mandate of SARS which called for the termination of his employ. Moreover the version of Ms Mokwena must be given consideration. Further corroboration for the existence of this covert unit can be found in the SSA investigation and subsequent reports, which is attached to the report of the 24 October 2014 titled 'OIGI report on the alleged interception capability of SARS' and hence. Whilst it may be argued by SARS that allegations of a covert unit emanates from disgruntled former SARS employees, it can be disputed by the evidence of Ms Walter. Ms Walter was never employed by SARS yet the information she provided corroborates that of person mentioned above. It would be hard pressed to explain why Ms Walter would allege that SARS if this was not the case. Her complaint to SARS went beyond allegations of interceptions and included allegations of the disclosure of taxpayer information in contravention of SARS legislation.
6. This was also corroborated by Ms Schlenker through an intercept. If the intention of Ms Walter was to discredit Mr van Loggerenberg as 'pay back' for the breakdown of their relationship, allegations of disclosing tax payer information

would suffice as it is serious enough to warrant dismissal. She could only have known about the interception capability of SARS through what she was told and shown. There is no other way. Even more convincing as to the veracity of her information is that it has in all material aspects been corroborated by persons within that covert unit.

7. There is further corroborated evidence to the effect that SARS knowing fully well that it does not have a mandate to conduct covert intelligence collection in support of its activities approached NIA with a view for NIA to establish a dedicated covert capacity under the *aegis* of NIA subject to the signing of a MoU between the two institutions. However the MoU was never signed and the proposed dedicated covert intelligence capacity never took off. It is against the aforementioned background that SARS then took it upon themselves to establish a covert intelligence capacity considering that the proposed initiative with NIA was not successful.
8. It is further submitted that the rationale for the establishment of the Commissions by SARS to investigate the allegations against Mr van Loggerenberg must be scrutinised. It is common cause that a second Commission was established which raises questions as to the reasons therefor and the investigation of the first Commission. A further issue for examination is the selection of panel members which raises the question of a perception of bias.

On the issue of SSA, it is clear that the EIU was tasked to collect intelligence on illicit tobacco smuggling activities as per the mandate of SSA and proceeded to initiate within the State Security Agency Domestic Branch Project Smoke and Mirrors to collect intelligence on tobacco smuggling activities and represented the SSA-DB on the Inter-Departmental National Task Team dubbed Project Smoke. Through the affidavit of Kieran Naik corrupt relationships existed between SARS officials and civilians involved in tax evasion which could point to poor relations between SARS and SSA.

## 2.8 Findings

1. Evidence shows that SARS created a covert unit utilising covert and intrusive methods in direct contravention of the SARS mandate as provided for in the Tax Administration Act, 2011 (Act 28 of 2011).
2. We find that only the President in terms of section 209(1) of the Constitution of the Republic of South Africa, 1996 may establish any Intelligence service by way of national legislation. No evidence exists that the President established an intelligence capability within SARS.
3. We find further that the National Strategic Intelligence, 1994 (Act 39 of 1994) provides for the functions of the intelligence services. Section 2 of the aforementioned Act provides that the Agency shall, *inter alia*, provide departmental intelligence at the request of any interested department of State. This in effect means that SARS being an organ of State should request intelligence from the agency and is not mandated to create its own intelligence collection capacity. The establishment of a capacity within SARS with the capability of exercising powers, objects and functions which are the exclusive reserve of the intelligence services is clearly illegal.
4. SARS had an interception and monitoring of communications capability which went beyond targeting tax offenders but was utilised for political purposes;
5. Mr van Loggerenberg, Mr Pillay and Mr Gordhan established this unit and recruited persons with a specific skill set to engage in activities outside the SARS mandate;
6. We find that Mr Richer had knowledge of this unit and contributed to its functioning.

7. We find that SSA should have pursued the investigation of a covert unit within SARS as part of its defensive mandate.
8. It is further found that Mr van Loggerenberg acted in contravention of the Tax Administration Act, 2011 (Act 28 of 2011) through the disclosure of tax payer information to unauthorised persons.
9. We find that the composition of the first SARS panel and the choice of legal representatives of Mr Van Loggerenberg who are also the lawyers of SARS amount to a conflict of interest.
10. We find that payment of legal fees by SARS for legal representation of Mr van Loggerenberg is unprocedural and the conduct of Mr Pillay in authorising such be investigated.

## **2.9 Recommendations**

1. It is recommended that criminal charges be investigated against Mr Pillay, Mr Gordhan, Mr van Loggerenberg and Mr Richer for the establishment and involvement in the covert intelligence unit in SARS.
2. It is recommended that statements from Mr Peega, Mr Fitoyi, Mr Skollie Janse van Rensburg and Radebe (mentioned by Mr Mhlanga) are obtained in support of criminal charges. Ms Walter has provided a statement in this regard to the DPCI (Hawks).
3. It is recommended that SARS produce a credible inventory of all operational equipment which were used over a period by the SARS NRG in the course of its covert activities which must be confiscated and handed over to the mandated structures.

4. It is further recommended that the law enforcement agencies currently investigating allegations against SARS and Mr van Loggerenberg in particular continue with their investigation with the aim of preferring criminal charges.
5. It is recommended that the investigation by SSA on the covert unit within SARS continue in line with its defensive mandate.
6. A further recommendation is that the investigation within SARS headed by Mr Ravele be concluded as soon as possible.
7. It is recommended that the payment of the legal fees of Mr Van Loggerenberg by SARS be immediately stopped.
8. Finally it is recommended that the report of the initial SARS panel be approached with caution and that the second panel established to investigate the allegations conclude their investigations as a matter of urgency to enable finalisation.

**PART 3: INVESTIGATE THE ALLEGATIONS OF A SMEAR CAMPAIGN BY THE  
SOU AGAINST TOP MANAGEMENT OF THE NPA, SAPS AND THE SARS**

Whilst it was reported in media articles that the Special Operations Unit (SOU) was instrumental in a smear campaign to oust certain senior members of the NPA, SARS and SAPS through a so-called agent, the OIGI team could find no evidence to back up these claims. The media articles in the City Press 10 August 2014, appears to confuse issues by firstly reporting on the complaint by Ms Walter against Mr Van Loggerenberg in SARS and then shifting focus to the SOU, and in so doing mentions that Ms Walter was an agent for the SOU when in fact it has been found that Ms Walter was a source for the Economic Intelligence Unit of the SSA.

It is however interesting to note that the reports even go so far as stating that Ms Walter herself confessed to Mr van Loggerenberg that she is an agent for the SOU. When this was put to Ms Walter, she categorically stated that she did not even know of the existence of the SOU nor does she know Mr T Dhlomo. If the version of Mr van Loggerenberg is to be given any weight, the question begs as to why Ms Walter would mention a unit which she does not know. The only possible inference that can be drawn is that this fabricated information was passed onto the media from persons who are not familiar with the structures of the SSA in an attempt to detract attention away from SARS. In the process it is clear that the SOU of the SSA appears to be targeted. During the interview with Mr Burger a sentiment was expressed that law enforcement agents believe that Mr van Loggerenberg provided the information to the City Press. The team could find no evidence of this save to say the Ms Walter did indicate that Mr Van Loggerenberg has had a long standing relationship with Mr Jacques Paauw of the City Press, the journalist responsible for the articles.

A further example of this discrediting of the SOU is the mention of Prof Mokwena being employed as head of the economic intelligence special operations at the SSA

subsequent to her facing charges in SARS. This is blatantly untrue as pointed out in this report. It is however interesting to note that the allegations appeared in the City Press whilst recent articles in a different newspaper focus specifically on SARS.

The allegations of the smear campaign were put to senior management of the SSA and were vehemently denied.

### **3.1 Findings**

1. It is our finding that no reliance should be placed on reports in the media as it contains information that is tantamount to peddling.
2. We further find that the media reports seek to diminish the allegations against SARS by drawing attention to SSA. This could be fuelled by the strained relationship between the 2 departments.

### **3.2 Recommendations**

1. It is recommended that the origin of the newspaper reports be pursued to establish the real motive for this particular newspaper publishing disinformation.
2. It is recommended criminal action be taken against those responsible for such disinformation.

**PART 4: INVESTIGATE THE ALLEGED INFILTRATION BY THE SSA INTO THE  
TOBACCO INDUSTRY**

At the outset it must be noted that the mandate of SSA is to investigate the illicit economy which is also a priority as identified in the NIP document. However in dealing with this term of reference it becomes necessary to address the involvement of SSA and SAPS in conjunction with SARS in the tobacco industry. Interviews were held with SSA members in the Economic Intelligence Unit and SAPS members who were part of a joint team in investigating persons involved in the tobacco industry. The version of Mr Burger and the involvement of the EIU of SSA in the tobacco industry has been dealt with under Part 2 of this report.

**4.1 Col Hendricks Niemann: SAPS – CI**

Col Nieman stated towards the end of 2011, the National Border Unit started focusing on the illicit cigarette trade. At the end of 2011 an undercover project called Project Alpha was registered. Following the successes of this project, in 2011 a multi-disciplinary Task Team headed by Brigadier Jonker of DPCI (Hawks) was formed. The members of the task team representing SARS, SAPS-CI and SSA attended to the Task Team investigations relating to trade in illegal cigarettes. He intimated that whilst initially SARS was forthcoming in providing information, this changed towards the end of 2013. In February 2014 a letter from SARS was sent stating that there would be no further cooperation by SARS with the rest of the members of the task team and members of law enforcement.

Col Niemann referred to 2 incidents which strained the relationship between SARS and other law enforcement agencies. The first involved surveillance on a truck belonging to Carnilinx loading illicit cigarettes. The surveillance of the said truck by members of the SAPS-CI was compromised. It emerged that the identity of the rest

of members of the investigation team was also severely compromised. The second incident related to the confiscation of cigarettes by SARS in April 2014 to the value of about R3 million. Against the advice of the multi-disciplinary task team, and on the insistence of the SARS, the seized cigarettes were placed in a container in front of the police station and outside the premises. It was indicated that half of these contraband goods were later stolen because the SAPS does not have proper facilities of a ware-house.

As regards covert capacity at SARS, Nieman indicated that he is of the view that there is a covert unit in SARS. He indicated that his view on this issue was confirmed by the SARS's former employee namely Mr Peega.

#### **4.2 Interview with Brigadier Casper Jonker:**

Brigadier Jonker stated that he is the member of DPCI. His relationship with SARS started when he was working on an undercover project called Stompie in the DSO. He said in March 2010, DPCI negotiated with SARS to form a multi-disciplinary Task Team which was indeed later formed and was headed by Johan van Loggenberg of SARS.

During January 2014, Mr van Loggenberg called a meeting and spoke out about the widespread corruption in the SAPS and alleged that SSA was using spies that are being paid by the Tobacco Companies. After the January 2014 meeting there were strange press releasing heaping praise on the investigation successes of SARS. He indicated that in January-February 2014, the DPCI had good information on illegal cigarettes which was liaised with SARS. SARS was requested to assist in taking the investigation forward but they refused. Instead, Mr van Loggenberg stated that DPCI should just provide the information on the basis of which, SARS alone would determine what to do with it and how to handle the situation.

In February 2014, the SARS members of the multi-disciplinary task team stopped attending the multi-disciplinary task team duties saying that SARS issued a letter that

they should not cooperate with any of any law enforcement agencies including the DPCI, Metro Police, SSA and SAPS. After this communication there was a total breakdown of relationship between SARS and the rest of the law enforcement community.

On the issue on the interception of communications, Brig Jonker stated that SARS has never requested any assistance from the DPCI. He however indicated that he knows that in 2009, SARS had a big campaign of recruiting people with various investigations skills such as technical skills, surveillance and other related experience related.

#### **4.3 Analysis of the Evidence**

From the evidence it is apparent that SARS demonstrated an overbearing and officious conduct in its participation in the multi-disciplinary task team, in some instances was even hostile. Instances of this is the alleged refusal of SARS to assist the task team by giving it access to the documents in its (SARS) possession coupled with the sudden and unilateral termination of SARS's participation in the task team, apparently with an express injunction from the Management of SARS that all its members must cease all cooperation with any member of any law enforcement agency in the country.

This conduct of SARS and evidence thereon was corroborated to a large extent by Mr Burger in references made to non-cooperation by SARS in the task team and the low prosecution rate of syndicate leaders in the tobacco industry.

A further area of concern is that of the applications for interception. Mr Richer indicated that the Regulation of Interception of Communications and Provision of Communication-Related Information, 2002 (Act 70 of 2002) (RICA) allows departments like SARS to have a desk at the OIC but SARS did not take up the since it liaised with law enforcement agencies inter alia with regard to interception of communication. This is a curious view as according to the definitions contained in RICA, the definition of 'applicant' and 'law enforcement agencies' does not include

SARS. In addition Mr van Loggerenberg stated that when intercepts are required for SARS, Crime Intelligence is approached for the necessary applications. In the interview with Mr Pillay he reiterated this view. This is contradicted by Crime intelligence and the Hawks. It is our considered view that there would be no reason for Crime Intelligence and the Hawks to deny this if indeed SARS had approached them for applications. This actually lends weight to the existence of a covert unit within SARS conducting its own interceptions.

#### 4.4 Findings

1. It is our finding that SARS displayed arrogance in its dealings with other law enforcement agencies in joint projects of dealing with the illicit economy through its conduct and intimation that they are at liberty to deal with information received from the task team in whatever manner it deems fit and without reference to the members of the task team.
2. It is a further finding that the conduct of SARS seeks to undermine the provisions of section 41 of the Constitution of the Republic of South Africa, 1996 which calls for inter-governmental co-operation.
3. It is found that the conduct of SARS has hampered the working relations between the law enforcement agencies.
4. A further finding is that Mr Pillay, Mr. Richer and Mr. van Loggerenberg misled the investigation by stating that other law enforcement agencies were utilized for interception applications.
5. We could find no impropriety on the part of SSA and other law enforcements agencies in their dealings with SARS.

#### 4.5 Recommendation

1. It is recommended that the constitutional imperative of intergovernmental co-operation be brought to the attention of SARS management.

SECRET

OFFICE OF THE INSPECTOR-GENERAL OF INTELLIGENCE REPORT ON AN INVESTIGATION INTO MEDIA ALLEGATIONS  
AGAINST THE SPECIAL OPERATIONS UNIT AND/OR OTHER BRANCHES OF THE STATE SECURITY AGENCY

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2. SARS should re- establish relations with other law enforcement agencies and should ensure that legally mandated structures secure intercepts required by SARS.
3. It is recommended that Mr van Loggerenberg, Mr Pillay and Mr Richer are called to account and provide proof of interception application being sent to law enforcement agencies.

**PART 5: INVESTIGATE WHETHER THE SOU AND/OR OTHER BRANCHES OF THE SSA HAS BEEN INVOLVED IN THE NON-COMPLIANT UTILISATION OF HUMAN SOURCES, SAFE HOUSES, SOURCE PAYMENT, USE OF INTRUSIVE MEASURES AND STATE RESOURCES, AS ALLEGED**

This term of reference finds its origin in the media reports of the City Press of the 10 August 2014 wherein allegations were levelled at SSA in the conduct of its operations. This matter was investigated, especially in the SSA units of the SOU and the EIU and no evidence was found to point to any wrong doing in SSA in the role they played in the tobacco industry save for one instance involving Ms Walter.

Ms. B Walter was a walk-in agent in 2010 in the SSA and handled by the then head of the EIU, Mr. Fryer. However she was only registered as a source with source number 5332 on the 24 May 2011 following the appointment of Mr. Burger as head of the EIU. Proper procedure was not followed by Mr. Fryer by not registering Ms. Walter as a source as provided for in the Operational Directive on Authorisation and Management of Agents and Contacts.

In the media report reference was made to a house in Pretoria East as being a safe house of SSA and included a photo of the said house. The OIGI team found that the house is not a SSA safe house and to add insult to injury on its inaccuracies, the following day the owner of that house announced on a radio station that the said house belongs to her and always has. She went on to deny that interceptions are taking place at that house.

### **5.1 Findings**

1. We have found no impropriety on the part of SSA on the use of human sources; safe houses and the use of intrusive measures in its investigations into the illicit economy save for the initial non registering of Ms. Walter as a source.

## 5.2. Recommendations

1. It is recommended that SSA should ensure that the OD: 04 that govern the authorisation and conduct of the use and management of human sources should be strictly adhered to.
2. It is further recommended that SSA be commended on its cooperation with the law enforcement agencies and operations in the illicit tobacco industry.

**PART 6: CONCLUSION**

In conclusion, we would like to take this opportunity to thank the Minister for having tasked us to investigate the abovementioned allegations as contained in the media. Whereas it was found that the media allegations against SSA amount to peddled information, it is a matter of concern that SARS, being an organ of state charged with the monitoring of compliance with tax laws could do so by establishing structures and capabilities which are illegal and not mandated.

Instead of requesting departmental intelligence from the designated agencies as contemplated in the National Strategic Intelligence Act, 1994 (Act 39 of 1994) it was unlawful for SARS to take it upon themselves to establish structures for the collection of intelligence. Such structure existed outside the scrutiny of the Inspector-General of Intelligence. It is therefore not surprising that all allegations of impropriety are levelled against the said SARS covert structure.

The report is a further reminder that the malaise of information peddling which has affected the Intelligence Services for far too long continues unabated. Are the services winning the war against information peddlers?

A positive element emerging from the report is that the SSA and its former components cannot be flawed in this regard. The SSA and its former NIA component conducted themselves professionally and SSA has been exonerated from any unlawful conduct.

We take this opportunity to thank all persons interviewed and their cooperation in this regard.

# PROJECT SNOWMAN

## INDEX

1. BACKGROUND.
2. RECRUITMENT.
3. PROFILES OF MEMBERS.
4. TEAM DIVISION.
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9. METHODS OF PAYMENTS (Salary payments, Operational Funding, Source Payments )
10. CONCLUSION.

### 1. BACKGROUND

The unit was built to form a section that is capable of infiltrating , recruiting , profiling tax and vat evaders normal administrative investigators would not be able to access using covert and clandestine tactics with request from both public or private clients or any other collection the client request. The biggest challenge thou, is that this unit was never known to SARS employees or even externally, then the question always arose, as to How was the public or SARS employees internally were going to liase or report any irregularities or issues pertaining the formation the unit was built to address. Even within SARS internal structures at the Senior Management level only three people were aware of this operation, ie. Pravin Gordhan (PG), Ivan Pillay (IP) and Johann Van Loggerenberg (JVL). Although at some point when some of the members refused to commit evil acts as mandated by Messrs (IP) thru (JVL) the management opted to pay them out this was around (August -September 2008) the was a serious fall out within some members, those who were paid out were intimidated and told not to divulge this issue. Most of them are willing to come out and talk if need be. It is at this point that both Qupa Magashule (OM) and George Nkadimeng (GM) were made aware of this underground structure .t urged to hide the knowledge by (IP), only because they were both Senior Managers of HR, and had to be involved in the buying out of these disgruntled members as they were named by (JVL) and (IP) Below is the illustration of how the structure was formed and the members profile :

### 2. RECRUITMENT

Members were secretly headhunted based on their specialty within the Enforcement , Intelligence , I.T areas and community from the following Enforcement agencies :

- S.A.P.S Crime Intelligence Operatives.
- S.A.P.S Task Force Operatives.
- Special Forces Operatives.
- Commercial Crime Operatives.
- D.S.O Operatives.
- I.T Specialists.
- N.I.A Operatives.

- o Military Intelligence Operatives.
- o Vat and Tax Specialist.
- o S.A.R.S Enforcement Investigators.
- o Traffic Officers.
- o Operational Psychologist.
- o Legal Advisers

### 3. PROFILES OF MEMBERS

#### CHARL FOURIE

Former D.S.O Operative , team leader in the J.Z raid with background as an operational psychologist used for recruiting and profiling of both sources and suspects also as an clandestine operator within the unit.

#### SIPHO NKOMO

Former Metro Police Commander used for utilizing the Metro resources for the units benefit from overriding traffic fines to using Metro personnel for road blocks and raids to legitimize the operations.

#### DILLO NYAPHUDI

Vat and policy specialist former team leader in the N.E.U (National Enforcement Unit) used for legitimizing operations as he was an expert in the S.A.R.S systems for inquiring need information.

#### DANIE LE ROUX

Former S.A.P.S Task Force Superintendent for access to high risk raids using active Task Force members for raids, accessing of fire arms and ammunition and getting access to high profile information on concerned suspects.

#### JOHAN de WAAL

Former D.S.O and N.I.A Operative who was also instrumental in the J.Z. Raids and confirmed accomplice of Derrick Coetser and Eugene de Kock use as team leader and liaise with N.I.A and D.S.O if any steam is coming towards the unit like g an investigation into the units use of false S.A.R.S Identification cards and is still an active team leader within the N.R.G and close Allie of Johan van Loggerenberg.

#### ANTON VAN WOUT

Cyber forensic expert used for investigating and pulling of confidential information of concerned parties for investigative and infiltration purposes.

#### HELGARD LOMBART

Technical expert utilized from installing of covert cameras, trackers, voice monitors or any other spy

equipment for investigative purposes.

KENNY MPHAAHLELE

Former D.S.O Operative and investigator in the N.E.U used as a foot soldier because of this expertise in clandestine tactics.

ITUMLENG LEEUW

Former D.S.O. Operative, Team leader, S.S.I and legal adviser or legal cuber for legitimizing operations using his influence within the N.P.A.

FRANS VAN NIEKERK

Former Crime Intelligence Operative and I.T Specialist useful as telephone, mobile, e-mail interceptor and programmer builder of safe means of communication within the unit and using his influence within the S.A.P.S to get templates for legitimizing raids and infiltration.

PIETER DE BOD

Former D.S.O. Operative and S.S.I handling the Western Cape region for any subjects that might interest the unit in the illicit world with huge connections to the underworld community.

GILBERT GUNN

Former D.S.O Operative who was the technical operator in the J.Z surveillance and tracking of vehicles and master locksmith.

ERICK KWELA

Former manager in the S.A.R.S Enforcement unit degraded to a foot soldier because of his stance towards the unit's case criteria.

FANIE BOTHMA

Former D.S.O Operative covering the K.Z.N region with vast connection to the Chinese world of illicit trade and chosen figures for investigation and recruiting purposes.

KEITH HECTOR

Former Crime Intelligence Operative in the Narcotics working as a recruiter and handler of sources and as a team leader in the East London region but also covering national source recruitment and handling.

MIKE PEEGA

*become Net.*

Former S.A.N.D.F Special Forces Operator specializing in weapons, clandestine tactics, rural and urban reconnaissance, demolition expert, infiltration of syndicates, operations adviser, intelligence analyst used as a foot soldier.

SHIOBAN WILSON

Mathematics and statistician expert used as an operation statistic data capturer and information analyst.

JAPPIE TSHABALALA

S.P.U investigator within S.A.R.S and expert in data systems within S.A.R.S used as a foot soldier and counter intelligence within the unit.

NORAH PITSI

Former Military Intelligence and investigator in the unit used as a foot soldier and honey trap for concerned suspects.

TIMOTHY MABASO

Former Military Intelligence and investigator in the unit used as a foot soldier.

EDDIE KOTZE

Former Police officer and manager in the enforcement within S.A.R.S worked as liaison of administration between the unit and the head office since we were not allowed to be at the head quarters.

#### 4. TEAMS DIVISION

The teams were divided in a way that we could not know what others were busy with even if they were investigating other unit members because of their affiliation and who they associate with and communication was severed by means of compartmentalization of members into what I would regard concentration camps where a member had to inform the team leader if he was to communicate with other members and failure to do that would result in blocking and bugging of any communicative tools used especially within the black members.

Find attached the diagram of the N.R.G Placement chart, inquiries will be addressed.

#### 5. INDUCTION

Induction was done in a private location where members were taken through tactics such as :

Tracings  
Tracker Installation

- o Weapon handling
- o Bugging Systems
- o Sleep Deprivation
- o Surveillance ( Physical ,Mobile and Electronic)
- o Systems Breaching
- o Building Cover Stories
- o Changing of Identity
- o Communication Security
- o House Penetration
- o Cryptology
- o Safe Houses and their protection

For every exercise vetting would take place and cross training would take place on live targets.

## 6. MANAGEMENT

During the inception of the unit it was under management of Andries van Rensburg former N.I.A Operative with close ties to the right wing who ran the unit as a personal entity that created confusion amongst team members as we would go after personal targets of various S.A.R.S managers from what we were told they were pedophiles to "tax evaders" of which the units members would not see the end results especially black members, the unit became under scrutiny from various law enforcement agencies but everything dissappeared without any explanation from management.

The unit operated without a mandate from inception until some members complained of the legality of our operations whether the operations were revenue driven or personal agendas from the white majority who were silenced with huge salary packages and blacks given an excuse of budget constraints with exception of two black sympathizers who were at the lowest of the salary scales despite the promise of entry packages of not less than R550.000.00 per annum. Late 2008 a mandate was proposed which never saw its approval and yet we still operated. Some grievances were lodged by members that weren't happy with packages but they were never resolved to date because we were not on the S.A.R.S data base but were paid from Mr Ivans Pillay's budget. Some members were paid out as said in the background above for continuous complaints, between (R1mil and R1,2 mil) and were told to leave and barred from the media contact.

Some of the operations leading to right wing operatives were exposed by some black members as we did a lot of so called "controlled deliveries" which we felt we were being used to escort exchanges of abalone poachers which we never saw the bust as black foot soldiers would be withdrawn as soon as the exchange of moneys and abalone takes place, all these operations were verbally approved with no involvement of any other enforcement agency. Some dealers would be arrested of which we believed were competitors to the concerned suspects.

ources would be paid an undisclosed amount of money which were handled by what came to be known as the INNER CIRCLE of the unit. The division created conflict and (JVI.) came as

Paid

the mediator and finally Andries van Rensburg was fired but not before he threatened to expose the unit and was offered a 'silence cheque' and the unit members warned to cut all ties and communication with him.

The unit was left without the manager until we were told that (JVL) would be the manager but nothing was on paper to that effect and that all operations would be approved by him or (IP). Meeting with these management was an obstacle for members with salary grievances who were sent from pillar to post. When also asking about the approval of the mandate in writing, we were told to imagine if 'Mr Pillay's signature could appear on the document, that would cause a serious problem and would expose him(IP). Immediately then operations would carry on as usual, as if nothing has happened.

The unit went through several name changes trying to shy away from being persecuted for collecting intelligence on tax payers by means of covert tactics, we were recruited as Specialist Agents which later became Specialist Investigators we were no longer Intelligence Collectors but Information Verifiers, all the nonsense. Especially if we suspect that certain people are aware of our existence

More information with regards to the method of operation and approval of projects will be attached in the minutes of meetings held at the time.

## 7.CASE CRITERIA

Projects were given psuedo names project managers would not give the full intelligence until we were on the target area .Post Polokwane we were given projects and subjects named as TAX OFFENDERS but on close inspection we realised that the concerned targets were J.Z sympathisers or what came to be known as FRIENDS OF J.Z subjects of interest were mostly in GAUTENG and K.Z.N provinces and internally in SARS especially if perceived to be aligned to JZ, when the black members objected to the merit and reason for investigation they would not be paid their allowances or either redirected to more hostile operations but the operations would still carry on with the exclusion of black foot soldiers then handed over to the N.E.U for further investigation and collection. Operations would involve stealing of mail from residences (Dumpster diving), interception of e-mails, mobile and landlines, extraction of bank statements, installing of tracker systems on vehicles and posing as loitters around the premises while monitoring movements via hidden cameras even using sound enhancers to listen to conversation of our targets.

When we request whose our client, we would be met with hostility and threatened with isurbodination, as the instruction comes from above, meaning (IP and JVL). Ours was to do as we are instructed, no questions to be asked. Cases would range from Chinese business people. Indians aligned and known to be bankrolling JZ ,Black business people aligned to JZ and who were vocal to his campaign pre Polokwane, vocal members of the ANC NEC always told with requests from 'Ghost clients'. During one operation post Polokwane we were in Durban (Hilton otel) to be precise, I had a heated argument with the team leader questioning and opposing

their instructions on what I had to do or perform to the ANCYL leaders that were staying and sharing the hotel with us, in this instance, it was Zizi Kodwa and Fikile Mbalula. The following day I received a call from the management ordering me to surrender my laptop and electronic devices to the team leader, I was banned from meetings and little communication with the rest of the team members, my mobile was tapped and I was under surveillance which I reported and confronted some of the members about.

Names and requests from 'ghost clients' :

- Mabheleni Ntuli – Lifestyle questioner and links for source of funds.
- Julias Malema – Lifestyle questioner, registry of assets versus income.
- Zizi Kodwa – Lifestyle questioner, registry of assets versus income.
- Tony Yengeni lifestyle questioner and his links with JZ.
- Lembede Associates – Fund allocation and future covet auditing into funds with aim of investigating recipients for vat and tax compliance.
- Fikile Mbalula Lifestyle questioner and associates.
- Fana Hlongwane and his links with the retired Gen. Siphwe Nyanda and company called Ngwane securities.
- Robert Gumede his links with JZ, and his money laundering schemes.
- Khula Zuma lifestyle questioner, registry of assets versus income and source of income.
- Zweli Mkhize, Bheki Cele and his association with JZ. Also look at KZN 'departmental tenders' under their MEC roles.
- Vivian Reddy Fund allocation and future covet auditing into funds.
- Ace Magashule lifestyle questioner, registry of assets versus income.
- Internally Senior Managers like Vuso Shabalala, were targeted to be sidelined from the restructuring and activities of SARS until he resigns from SARS, and exactly that happened later he left and joined DoJ as he was seen as a threat to replace the Commissioner and expose some of the Procurement irregularities since he was very vocal on the appointment of Barry Hore and BB & D relationship.
- We were told to track and tag Leonard Radebe's vehicle (RVT748GP) because he constantly visited JZ at Forest Town, we also bugged the mobile phone 0824990249. At some point we followed him in KZN up to Beverly Hills hotel where he was to meet JZ, this information was tapped on the phone and intercepted.

## 8.MARGINALISATION OF BLACKS

Black members internally began to be sidelined financially, knowledge of clients because they were questioning the method of case selection and the criteria used for selecting targets as we felt we were stepping beyond our jurisdiction, which was to collect revenue as we were told by our managers before. It was also becoming very dangerous for some of us as we got deeper in these operations, because it was quite evident that SARS was playing dirty and dangerous games, the issue was WHY are the state resources being abused in such a dirty way? We were also surprised to here that some of our members come from the NPA structures that were threatened by closure. At some point, documents were amended when we refused to take

certain instruction, certain members were told to leave this unit for refusing to play in the dirt and told not to be in touch with us for good. Some of us threatened to go public with the units activities and were threatened with disclosure clauses; all of a sudden approvals of only legitimate cases were made available to us as members and the direction changed to investigating counterfeit and textile industry.

## 9. PAYMENTS METHOD

- The unit was funded through a cost code centre 50 20 30 /31.
- Sources were paid with funds from "clients".
- Claims and salaries were paid out of the same cost code centre.
- The unit had a secret account from which only members in the "inner circle" knew who funded that account. There was always a thought and suspicions that the funds came from the busts that were never declared.

## 10. CONCLUSION

As concerned members of the community, we are aware that SARS is being perceived by the public as an effective, most organized and highly performing organization. We however regret that a lot of ill conceived actions taken and being performed by some senior management in particular Mers (IP) and (JVL) are totally against our constitution. It is also a fact that the then Commissioner Mr (PG) is well aware of these activities despite him always waiving the card of being an activists. No one is safe, particularly if he disagreed with (PG), that will be the day of atrocities and serious victimization if not seen as fighting his legacy. It is also very clear, how his successor has been appointed, it is simply to protect and shield his activities, particularly procurement in SARS. No one why, even the Auditor General failed to audit and give the true reflection of the state of SARS, THEY WILL NOT DARE EVEN WHEN WE KNOW, THERE HAS BEEN PROBLEMS IN THE PAST particularly with assets, including the assets that were bought for our unit. Nobody knows their existence except for (PG), (IP) and (JVL), because this state of the art equipment will raise eye brows and questions will be asked as to what is being used for? Only agencies like NIA should be in possession of such equipment, but SARS ghost employees are in possession of all that. Someone must stop this nonsense otherwise the security of our country is threatened, taking into consideration that the profile of some members is questionable. We also appeal that the Enforcement team has been in existence since 1999, (PG), (IP) and (JVL) should be dismantled with immediate effect and be redeployed elsewhere. Why is it easy for all SARS structures to be continuously restructured but not Enforcement leadership, who is protected by (IP).

"GR 1"

Office of the  
Commissioner

Office  
Pretoria

Enquiries  
Ms J Padiachy

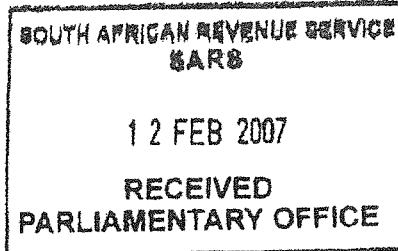
Telephone  
(012) 422 5050

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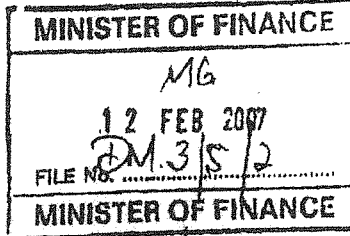
Room  
Block A2

Reference

Date  
02 February 2007



Mr T A Manuel, MP  
Minister of Finance

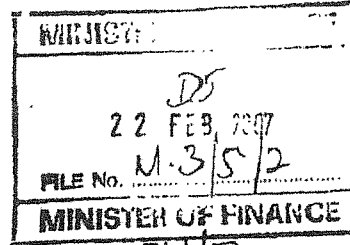


82/07  
Dear Minister



South African Revenue Service

Pretoria Head Office  
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561/07

## TO FUND AN INTELLIGENCE CAPABILITY WITHIN NIA IN SUPPORT OF SARS

### 1. PURPOSE

To seek approval to fund a special capability within NIA to supply SARS and law enforcement with the necessary information to address the illicit economy.

### 2. DISCUSSION

2.1 Collecting tactical intelligence invariably means penetrating and intercepting organised criminal syndicates. This is an activity for which SARS does not presently have the capability (including the legislative mandate to manage clandestine activity).

2.2 Discussions are taking place with National Intelligence to supplement SARS intelligence capability. NIA is willing to create a ring fenced capability, provided funds are made available to cover personnel costs. All other costs will be covered by NIA. NIA is willing to formalise the above-mentioned arrangement into a MOU.

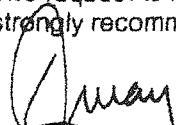
2.3 We therefore request that NIA's budget be increased to fund the creating of this special capability.

2.4 The estimated personnel costs are as follows:

2007/2008	R13,1 Million
2008/2009	R17,2 Million
2009/2010	R18,6 Million


3. RECOMMENDATION

The request to fund the creation of a special capability in NIA to support SARS is strongly recommend and approval from the Minister is required

  
GENERAL MANAGER: (Enforcement and Risk)  
DATE: 02/02/2007


  
P GORDHAN  
COMMISSIONER, SARS  
DATE: 2007-02-04

Deputy Minister approved/not approved

  
DEPUTY MINISTER OF FINANCE  
DATE: 22/02/2007

*supported however this is a strange way of executing what I consider to be an economic mandate of HIA. It seems as though HIA can add on rather than part of HIA's mandate*

Minister approved/not approved

  
T MANUEL  
MINISTER OF FINANCE  
DATE:

# INTEROFFICE MEMORANDUM

Memo Title

TO	The Chief Officer Corporate Services Oupa Magashula	CC	
FROM	The General Manager, Enforcement and Risk Ivan Pillay	REFERENCE	.
TEL NUMBER	(012) 422 5205	DATE	08 February 2007
PRIORITY	Urgent		
SUBJECT	SPECIALIZED CAPABILITY TO FOCUS ON THE ILLICIT ECONOMY		
RECOMMENDATION	Approval for the appointmnel of staff with specialized capabilities		

Forwarded to you for:

- Approval
- For Your Records
- Action as required

- Verification
- Information
- Proof Reading

On completion please forward to:

Sender

Other

Comments:

Approval for the appointment of personnel with specialize capabilities.

# Internal Memorandum

TOPIC

SPECIALIZED CAPABILITY TO FOCUS ON THE ILLICIT ECONOMY

## PURPOSE

To obtain approval for the appointment of personnel with specialized capabilities (Internal and External).

## DISCUSSION

Combating smuggling of prohibited goods and substance is part of SARS' mandate and as you may know a need exists for a special capability to enable SARS to make inroads in understanding the illicit economy in order to take decisive steps to minimize the following:

- (a) Importation, exportation and manufacturing of drugs;
- (b) Illegal harvesting of abalone and its supply;
- (c) Illegal importation of 2<sup>nd</sup> hand vehicles;
- (d) Importation of counterfeit goods;
- (e) Smuggling of cigarettes.

Fundamental to combating the illicit economy is the capability to penetrate and intercept the activities of crime syndicates. A memo, explaining the need for creating such capability with a high degree of operational security to address illicit economy, has been submitted to the Minister.

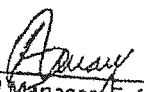
The Customs Border Control Unit's recruitment process was utilized to short list and assess potential candidates.

## RECOMMENDATION

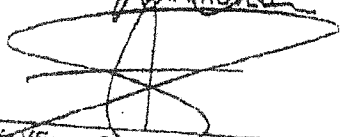
In pursuance of the above, it is proposed that SARS create the special capability through the appointment of 14 external resources and the transfer of 12 internal resources from the Enforcement and Risk divisions. (Annexure A.). The structure of this new capability is attached as Annexure B.

The posts (26) should be obtained from CBCU and transferred to the GM: Enforcement and Risk's Cost Centre to protect the identities and personal information of the appointees.

RECOMMENDED / ~~NOT RECOMMENDED~~

  
 General Manager (Enforcement and Risk)  
 Date: 08/22/07

APPROVED / ~~NOT APPROVED~~

  
 Chief Officer: Corporate Services:  
 Date: 13/2/07

Annexure B

