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Zondo Commission – the dodgy dealings of Neotel and Transnet (with a little help from Homix)

The commission of inquiry into state capture heard on Tuesday how executives of telecommunications provider Neotel failed to dupe auditors Deloitte in 2015 when the latter picked up irregular payments to Gupta-linked company Homix, in relation to a R1.8-billion Transnet contract awarded to Neotel. Deloitte found that a payment of R36-million was made without the knowledge or approval of the company's board. The services allegedly rendered by Homix in facilitating the deal, also remain unclear.

A relentless Deloitte would not look away when former Neotel CEO Sunil Joshi and former CFO Steven Whiley both claimed to not have known about Homix – despite Joshi's signature on the Transnet contract, which in itself acknowledged an increase in the initial estimated cost, owing to the inclusion of Homix. He signed the contract with Transnet without the board's approval.

Investigations by Deloitte, and later Werksmans Attorneys, found that Homix had been brought in through the back door by Neotel to benefit from the lucrative Transnet contract.

Auditing partner at Deloitte, Chetan Vaghela, told the inquiry that his team's suspicions in early 2015 – raised during its normal annual audit of the telecommunications company – were that Homix was a shelf company with no substance, and should not have been paid by Neotel. Among documentation found by Vaghela was an invoice dated 11 December 2014, days before the main contract participants Neotel and Transnet signed their master services agreement on 13 and 19 December respectively. This, said Vaghela, could be read as the irregular inclusion of Homix in Neotel's negotiations with Transnet, inferring that the company sealed the deal for Neotel, hence its R36-million bill.

"We had an invoice on the 11th of December, [Neotel] engaged them on the 12th of December and Neotel had signed the contract on the 13th of December, Transnet signed it on the 19th," said Vaghela. "So, looking at that timeline, we wanted to know what Homix did to warrant the payment of such fees.

"We also had the contract, the contract was dated February 2015, whereas the alleged service was rendered in December, so the contract was put after the event."

He and colleague Andre Dennis engaged Neotel's management around April 2015 to question them on the events of December. When Vaghela would not back off, Joshi eventually acknowledged that general manager for strategic partnerships in the company, Francois van der Merwe, had introduced Neotel to Homix when a similar stalemate had arisen in an earlier contract. Homix bagged R30-million in this instance. Van der Merwe, when it was his turn to talk to Deloitte, pointed the auditors to a man he claimed to only know as Ashok. "Subsequent to our background checks... we found out that Ashok was identified as Ashok Narayan, who was linked to the Sahara group of companies, which is linked to the Gupta family."

Further probes by Vaghela and Dennis revealed that Homix had stepped in on the back of an unsuccessful meeting between Joshi and then Transnet CFO Anoj Singh, aimed at addressing the stalemate. In his frustration, Joshi discussed possible solutions with Whiley and it was at this point that the pair recalled Homix's earlier assistance. Despite this, Neotel could provide no proof on what exact services the company rendered in respect of either deal.

In fact, numerous engagements with Neotel failed to provide answers for Deloitte, leading the auditing firm to file a reportable irregularity in April 2015 with the Independent Regulatory Board of Auditors (IRBA), by whom they are regulated. Following this, the Neotel board commissioned Werksmans to investigate, while Joshi and Whiley were put on special leave. Joshi, it was found, had signed off without the board's approval. Both have since left Neotel.

Van der Merwe was found by the Werksmans probe to have a clandestine relationship with Homix and people associated with the company. He was also found to have leaked confidential Neotel information to Homix.

Deloitte was forced to give Neotel a disclaimed audit finding.

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